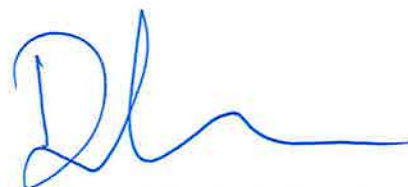# ANNUAL REPORT 2022

The annual report 2022 was presented and adopted at the
company's Annual General Meeting on 28 March 2023

Dorthe Rosenkilde Saunders
Chairman of the meeting

◆ milestone

milestone

MAKE THE
WORLD SEE

Milestone Systems Annual Report 2022

INVESTING
& GROWING

Content

Management's review

Financial statement

In Brief

Investing in our future

Milestone Systems (Milestone) saw another year of strong growth during 2022 with our net revenue approaching 1.5 billion Danish kroner (DKK) for the first time with a profit before tax of DKK 11 million.

During 2022, we continued to invest heavily in making Milestone a stronger company — adding more people, expanding technology, and boosting marketing. Considering the challenging business environment during the year, the result was within our expectations.

Year-on-year growth of 30%

Despite continuing challenges such as war in Europe, the aftermath of the COVID-19 pandemic, inflation, increasing component prices, and supply chain challenges, Milestone saw strong year-on-year growth in net revenue of 30 percent compared with 2021.

One of the year's highlights was that our Husky IVO™ business increased 182 percent. Our increasing revenue on hardware reflects the combination of our conscious decision to continue to invest in our future growth and the increase in component prices for Husky.

As we enter our 25th anniversary year, this solid growth, combined with our investments in 2022, puts Milestone in a strong position to follow our strategic direction to transform our industry by setting the standard for using data-driven video technology in and beyond security.

One of the most reliable video technology solutions

Thanks to the dedication and expertise of the people at Milestone during our 25 years in business, we have earned respect from our partners, customers, and competitors as a powerful influencer in the safety and security industry. In the early 2000s, together with our partners, we revolutionized the industry by leading the transformation from analog to IP technology.

The transformation defined modern video technology for surveillance. Since the transformation, Milestone has built a strong position as one of the most reliable video technology solutions providers in the industry.

Data-driven video technology as a game-changer

At our annual partner summit in October 2022, we shared our strategic direction to revolutionize the industry once again. Over the next five years, we plan to become a global leader in data-driven video technology, in security and beyond security. As we continue to build our success within our core business, our goal is to seize many new opportunities by leading the way to using video technology beyond security.

We see a future in which data-driven video technology is a game-changer in helping to make society a better place for people to live and work. But we also acknowledge that there are risks to using video technology in such a broad way.

Responsible technology – a license to operate

Because of these risks, we see responsible technology as a prerequisite for future growth. In the next three to five years, we expect that responsible technology will be required as a license to operate.

As a technology company, Milestone believes that people deserve the right to feel safe and to know that our technology is used in a responsible way.

Together with our partners, we will strengthen our commitment to responsible technology by introducing further initiatives around:

- How we develop technology

- How our partners sell our technology

- And how our customers use our technology

This is part of our DNA. We have consistently developed our responsible technology principles over many years, beginning in 2009 with the human rights clause in our End User Licensing Agreement (EULA). In 2017, we were joint signatories to the Copenhagen Letter after which we introduced Milestone's Copenhagen Clause into our contracts.

In 2022, we decided to make a commitment to the United Nations Guiding Principles on Business and Human Rights.

Investing, growing and hiring

Even in the difficult business environment of 2022, Milestone continued to invest, grow, and hire for the future. We accelerated our investment in the United States, we have grown our company to close to 1,300 colleagues, and we continue to hire new people.

Looking ahead, we expect many of the challenging conditions we saw in 2022 to continue into the next year.

Despite this, our investment in the company during 2022 has put us in a strong position to continue our growth story together with our partners in 2023.

Thomas Jensen
CEO
Milestone Systems

Lars Larsen
CFO
Milestone Systems

New Chief Technology Officer joins Milestone

In December 2022 we announced the appointment of Rahul Yadav as our new Chief Technology Officer.

Rahul comes with extensive experience in setting up, scaling, and leading multi-site, global technology and product organizations and collaborating with technology providers. Rahul joins Milestone from TV 2, the Danish broadcaster, where he held the position of Chief Technology and Digital Officer.

Rahul's primary focus will be on further strengthening Milestone Systems' position as a provider of market-leading data-driven video technology.

The Executive Leadership Team is comprised of six people, although the position as Chief Revenue Officer is currently vacant. The team members have a wide range of diverse capabilities and leadership skills. We believe they will complement each other as we set the direction of Milestone for the future.

The Executive Leadership Team

Thomas Jensen
Chief Executive
Officer, (acting CRO)

Experience:
Executive Vice President
at Bechtle AG. Head of
Worldwide Channel Sales
& Strategy, Vice President
Head of Channel
Separation, Vice President
WW Channel Sales &
Strategy at HP. Director
& General Manager,
Denmark, at HP EMEA.

Employed at Milestone
since 2020

Lars Larsen
Chief Financial
Officer

Experience:
Vice President, Group
Finance at Carlsberg
Breweries; Business
Manager at Microsoft
Business Solutions;
Executive Vice President &
Chief Financial Officer at
Navision.

Employed at Milestone
since 2010

Rahul Yadav
Chief Technology
Officer

Experience:
Chief Technology and
Digital Officer at TV 2,
Vice President and Chief
R&D officer at KMD,
and Director, Head of
Software, Platforms and
Ecosystems at B&O.

Employed at Milestone
since 2023

Christina Molt Wengel
Chief Marketing
Officer

Experience:
Chief Marketing Officer
at GN Hearing A/S,
Senior VP Head of Global
Marketing and Consumer
Care Division at ALK,
Global Marketing Director
at Coloplast, Managing
Director at MSD.

Employed at Milestone
since 2021

Simon Thule Viggers
Chief People
& Culture Officer

Experience:
Chief People Officer/
Senior VP People &
Communications at DHI,
VP Human Resources
& Communications at
Otsuka Pharmaceutical
Companies Europe,
Corporate VP Human
Resources at Novo
Nordisk.

Employed at Milestone
since 2021

Global video technology software company

→ Pioneered IP video surveillance technology

→ Born in Denmark and built on a Scandinavian leadership model

→ Provides software supported by hardware and services, centered on our XProtect® platform

→ Global technology partners drive innovation and develop the best solutions for our customers

→ Standalone company within the Canon Group, the global leader in imaging technologies

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Using data-driven video technology we can empower people, businesses, and societies

Empower people to get more from life
From providing safer and more livable city environments to easing people's workloads, video technology helps improve well-being.

Empower businesses to embrace opportunities
Video technology enables all types of businesses to enhance safety and customer experiences while improving processes and driving growth.

Empower societies to evolve responsibly
With analytics and alerts, video technology can help optimize traffic flows, monitor environmental dangers, and operate smarter cities.

COMPANY PROFILE

Empowering businesses and societies with data-driven video technology

We provide actionable insights from video data through the perfect combination of your cameras and sensors and our open platform software and analytics – always with a responsible mindset and a People First approach.

HIGHLIGHTS

Performance highlights of the year

Net Revenue (DKK million)

934	1,026	1,017	1,141	1,488
2018	2019	2020	2021	2022

Number of countries

25
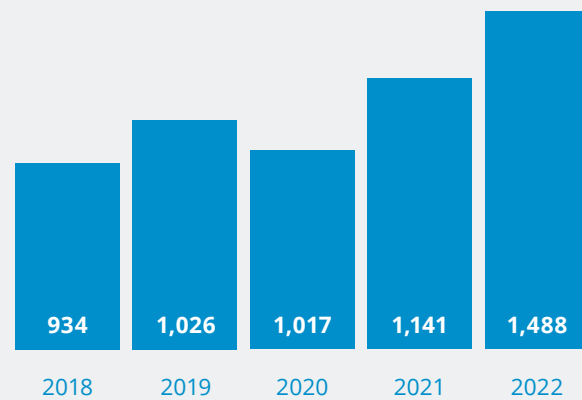
Milestone is present in 25 countries.

Employees in Milestone

1,281

Milestone has grown from 733 employees in 2018 to 1,281 in 2022.

Profit before tax (DKK million)

208.8	129.8	66.6	121.7	11.0
2018	2019	2020	2021	2022
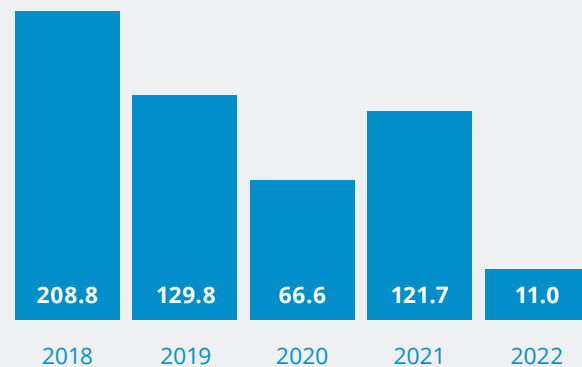
Milestone history

25 YEARS

In 1998, Milestone was founded by John Blem and Henrik Friborg Jacobsen. The company was incorporated in 2000 with a Board of Directors. In 2014, Milestone was acquired by the Canon Group.

100 MILLION DKK

In development projects

Milestone has invested mio. 100 DKK in 2022 in development projects.

Five reasons to choose Milestone Systems

1

History of sustainable growth

The story of Milestone is a story of long-term, sustainable growth. In just five years, our net revenue has grown from DKK 934 million in 2018 to DKK 1.5 billion in 2022. In the same five-year period we have grown from 733 to 1,281 colleagues.

2

Global presence

Milestone is a global company with a presence in 25 countries. We are close to our clients and partners in all our markets. Our partner ecosystem, the Milestone Care™ program, and a wide range of industry events ensure a strong, ongoing dialogue with our stakeholders.

3

Flexible platform

Milestone is a leading provider of data-driven video technology. Based on an open platform, our technology enables integration with the industry's widest choice of devices and best-in-class business solutions.

4

Focus on people

We put people first in everything we do. Our culture, our solutions, our cooperation with our partners and our understanding of our customers' needs – it is all about people.

5

Responsible technology

Technology can only be based on people first. We take responsibility for the world we live in and create. Because technology should serve humanity. Not the other way around.
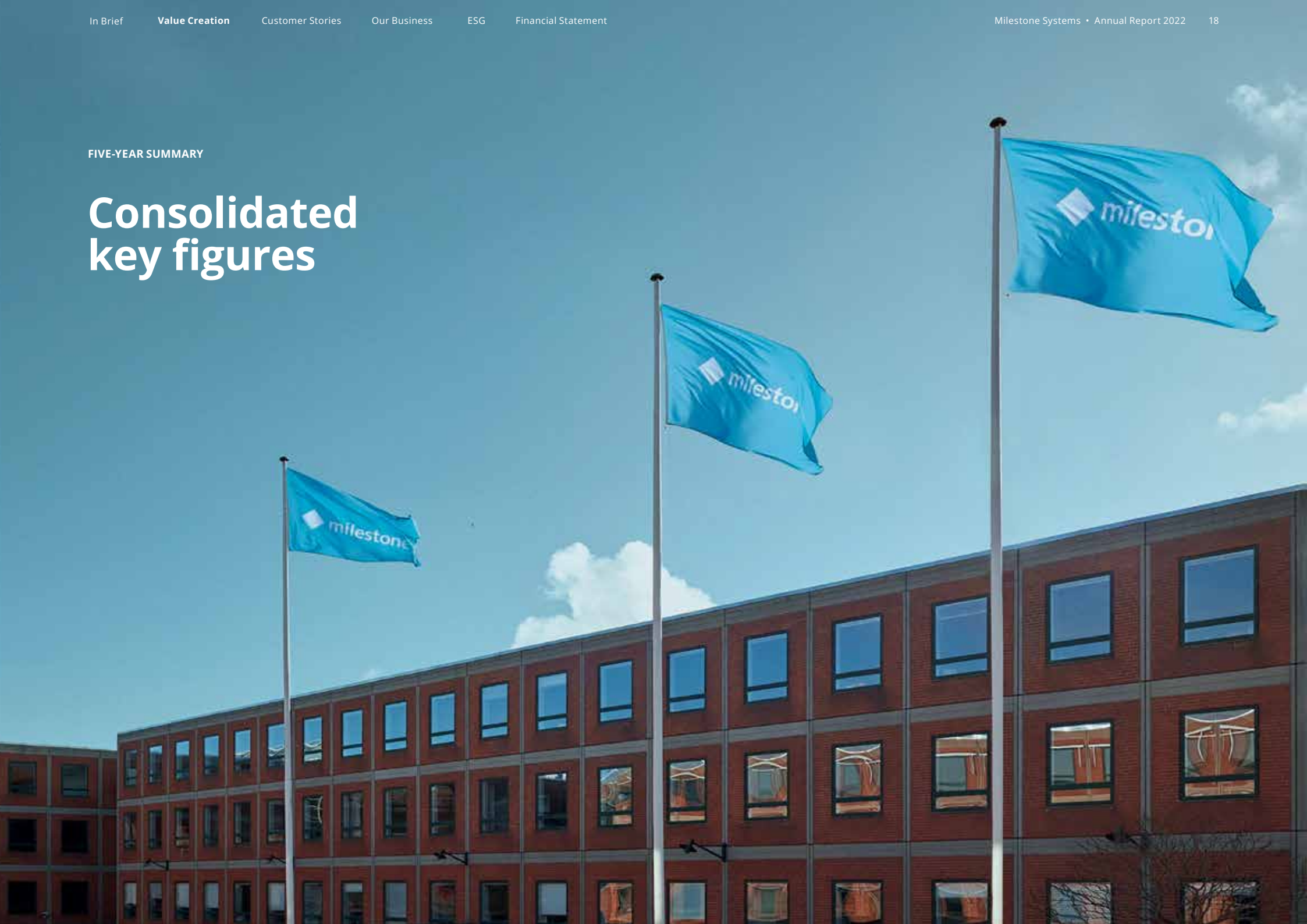
# Value Creation

FIVE-YEAR SUMMARY

Consolidated
key figures

In 2019, we adopted IFRS 15 and 16 in our financial statements. As a consequence, the key figures and financial ratios are not fully comparable throughout the five-year period.

No comparative information has been restated because the simplified approach has been applied.

DKK'000	2022	2021	2020	2019	2018
Profit & Loss					
Net Revenue	1,488,148	1,140,912	1,016,793	1,026,494	934,445
Gross margin	1,322,798	1,087,170	968,315	967,305	858,117
Operating income (EBIT)	-21,343	92,515	111,891	123,534	194,474
Net financials	32,386	29,152	-45,244	6,226	14,356
Profit before corporate tax	11,043	121,667	66,647	129,760	208,830
Net income	9,233	97,454	53,631	98,284	170,815
Balance Sheet					
Balance sheet total	1,857,670	1,635,983	1,545,951	1,478,630	1,200,680
Investment in other fixtures and fittings, tools and equipment excluding lease assets	41,475	22,903	30,403	26,964	28,449
Receiveables from Group enterprises	613,610	665,850	497,056	382,572	346,922
Cash at bank and in hand	193,889	155,271	312,697	346,741	249,068
Equity	799,249	788,383	749,623	724,574	630,475
Cash flow Statement					
Cash flow operating activities	262,623	27,875	181,832	239,921	130,772
Cash flow investing activities	-193,233	-123,211	-123,818	-114,690	-82,049
Cash flow financing activities	-31,904	-64,174	-89,899	-26,004	0
Change in cash and cash equivalents	37,486	-159,510	-31,885	99,227	48,723
Employees					
Average no. of full-time employees	1,148	956	866	776	658
Number of employees at year-end	1,281	1,088	934	865	733
Key Figures					
Invoiced revenue	1,731,580	1,243,974	1,113,885	1,165,573	1,031,946
Gross margin	88.9%	95.3%	95.2%	94.2%	91.8%
EBIT margin	-1.4%	8.1%	11.0%	12.0%	20.8%
Financial solidity	2.3	2.1	2.1	2.0	1.9
Return on Equity	1.2%	12.7%	7.3%	14.5%	30.7%
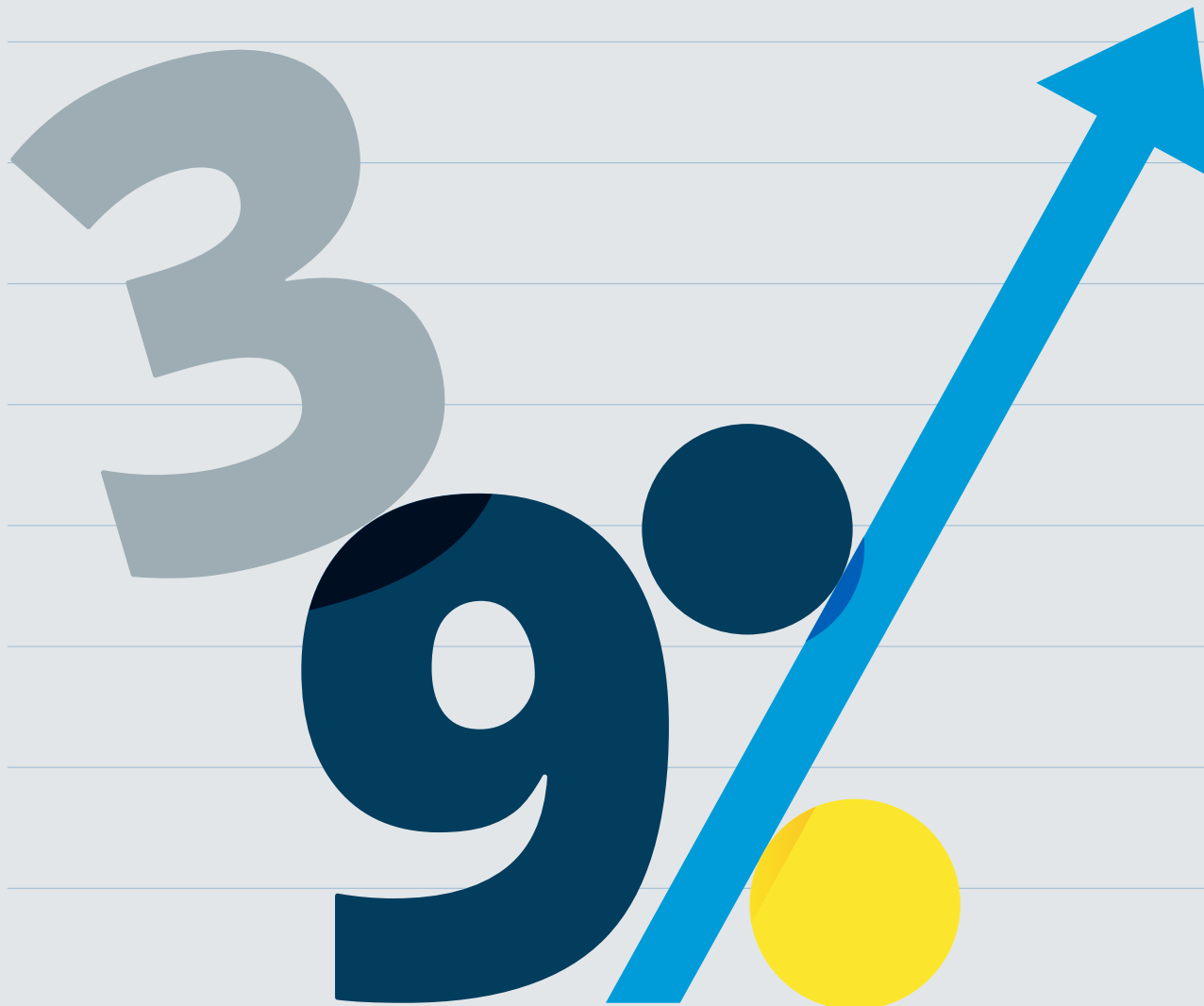
FINANCIAL REVIEW

Solid growth in challenging times

Milestone achieved a satisfying outcome in 2022 given the continued impact of COVID-19 on our business throughout the year. During the year, Milestone continued to invest in future growth following our updated strategic ambition.

Invoiced revenue amounted to DKK 1.7 billion, corresponding to an **increase of 39 percent**. After adjustments for revenue deferrals and the impact of cash flow hedging and sales incentives, net revenue was DKK 1.5 billion.

This is an increase of 30 percent compared to 2021. Net income amounted to DKK 9 million, a decrease of 90 percent. Milestone considers this satisfactory considering the business impact of the challenging macroeconomic factors globally.

AMERICAS

809

MILLION DKK

↑ **+30%**

EMEA

726

MILLION DKK

↑ **+29%**

APAC

195

MILLION DKK

↑ **+10%**
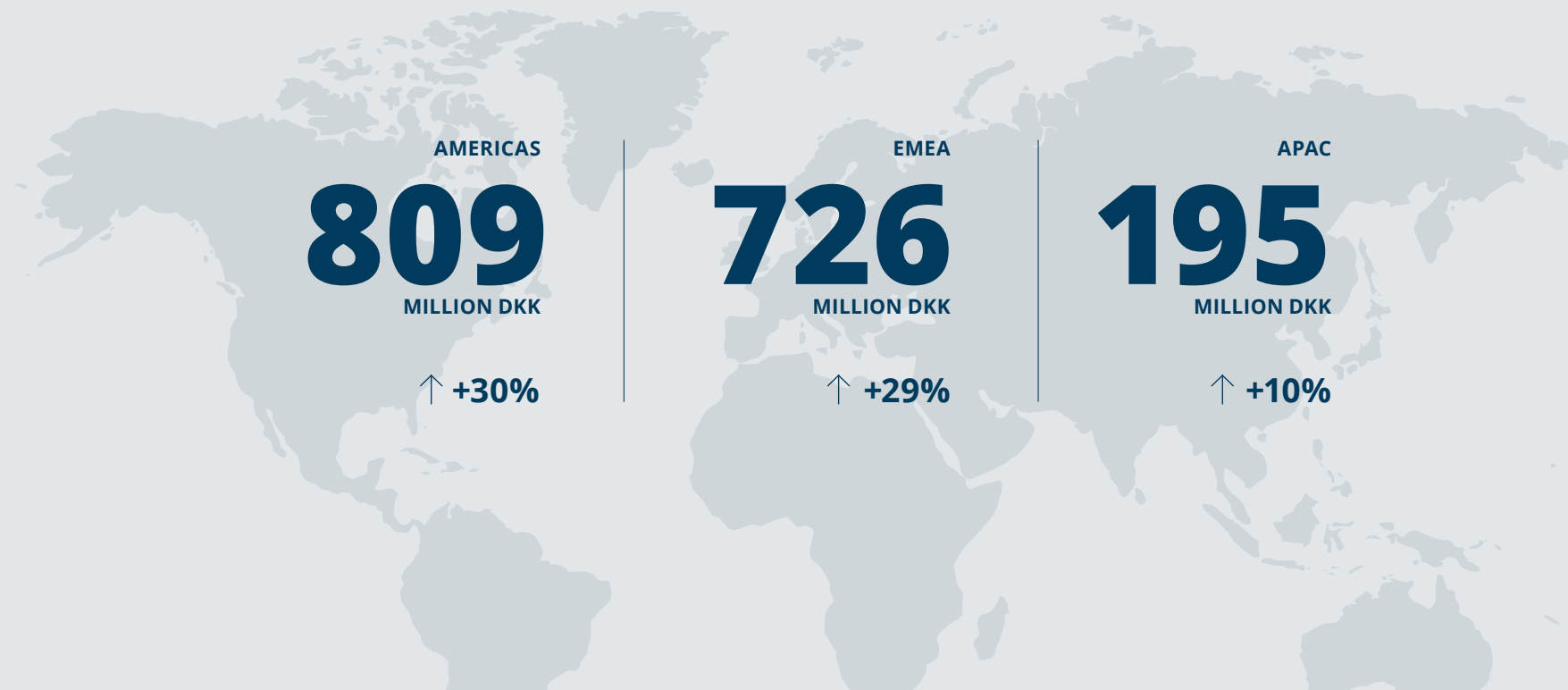
Results in our markets

Looking at results in our markets, 2022 was challenging due to slow recovery from the COVID-19 pandemic in some regions, in addition to structural obstacles such as component shortages, supply chain challenges, and increasing inflation.

However, the demand for our solutions continues to be strong despite the market conditions. In particular, our Milestone Husky IVO™ series overperformed sales expectations in all regions and was well received in the market, growing 182 percent compared to 2021. In June 2022, Milestone had an all-time record high month, with DKK 264 million invoiced revenue.

Invoiced revenue in the Americas region amounted to DKK 809 million, corresponding to a 30 percent increase compared to 2021. The North American market continues to grow, and Milestone had a strong close to 2022 with record sales in December.

The Latin American market grew 80 percent, with business growing again after restrictions were lifted. During the year, we signed several key projects within different industries, including transport, the public sector, and healthcare. The strong sales were positively affected by the USD/DKK exchange rate which was partly responsible for the increase in invoiced revenue.

During 2022, Milestone increased its presence in the Americas region, and this will continue into 2023.

In the APAC region, we continued to be challenged due to a volatile COVID-19 situation which caused difficulties in market recovery for some territories, for example North Asia, Taiwan, and Japan. Furthermore, we have seen a market supply chain interruption and shortage of IT hardware and chips. APAC invoiced revenue grew 10 percent in 2022 to DKK 195 million despite the challenges mentioned. During the year, key projects were won within transport, critical infrastructure, and manufacturing.

In EMEA the business climate has improved significantly, with most COVID-19 restrictions lifted, and as a result, Milestone had a strong year in the region. Invoiced revenue amounted to DKK 726 million in 2022, representing an increase of 29 percent compared to the same period last year.

We were negatively impacted by the war in Ukraine and we halted our activities in Russia and Belarus after the invasion. Markets in Middle East, North Africa, Turkey showed 37 percent growth. Similarly, key projects within government, security and healthcare were signed.

Operating expenses

Operating expenses totaled DKK 1,344 million compared to DKK 995 million in 2021, representing an increase of 35 percent. The increase is mainly driven by higher costs for personnel as a consequence of pursuing Milestone's growth strategy.

The growth strategy includes an increased focus on marketing activities, investment into a regional presence in the North American market, and continuing to drive an innovation agenda.

In addition, the winding down of COVID restrictions meant an increase in travel, in-person meeting activities, consultancy, and other staff-related costs that were limited during the pandemic.

We had our first face-to-face partner events, MIPS, after COVID-19. One took place in the US, and one took place in Dubai. Operating expenses amounted to 90 percent of revenue compared with 87 percent of revenue in 2021.

Research and development

Research and development expenses amounted to DKK 355 million compared to DKK 297 million in 2021.

This corresponds to a growth of 19 percent as a result of investments in the number of full-time employees and increasing costs for consultants.

Total research and development expenses correspond to 24 percent of net revenue in 2022, compared with 26 percent in 2021, a testament to our ambition of continuous investment in software development to make our competitive position stronger.

Distribution and sales costs

Distribution and sales costs amounted to DKK 871 million, compared to DKK 596 million in 2021, which represents an increase of 46 percent.

Milestone has continued to add new members to our regional sales teams. The main investment has been in the North American region as a part of the adjusted strategy.

Costs related to travel, meeting, and marketing activities increased compared to 2021. This was not least due to the two face-to-face MIPS partner events. Total distribution and sales costs corresponded to 59 percent of net revenue, an increase from 52 percent in 2021.
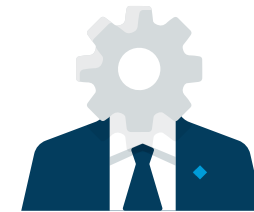
Administrative expenses

Administrative expenses amounted to DKK 117 million compared to DKK 101 million in 2021, which corresponds to an increase of 16 percent.

The increased investment is driven by strengthening the support organization with special focus on legal, internal IT and responsible technology.

In addition, Milestone has continued focusing on being a People First organization and the project to create "the workplace of the future." Total administrative expenses correspond to eight percent of net revenue, a decrease from nine percent in 2021.

Operating expenses

↑ **35%**
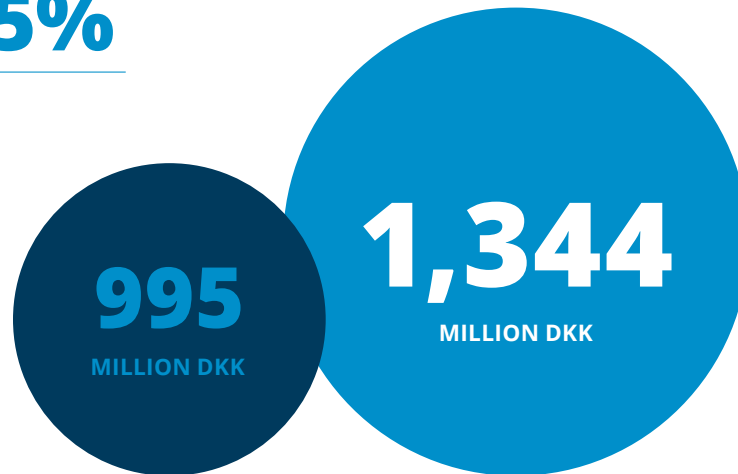
995
MILLION DKK

1,344
MILLION DKK

Distribution and sales

↑ **46%**

596
MILLION DKK

871
MILLION DKK

Research and development

↑ **19%**

297
MILLION DKK

355
MILLION DKK

Administrative expenses

↑ **16%**

101
MILLION DKK

117
MILLION DKK
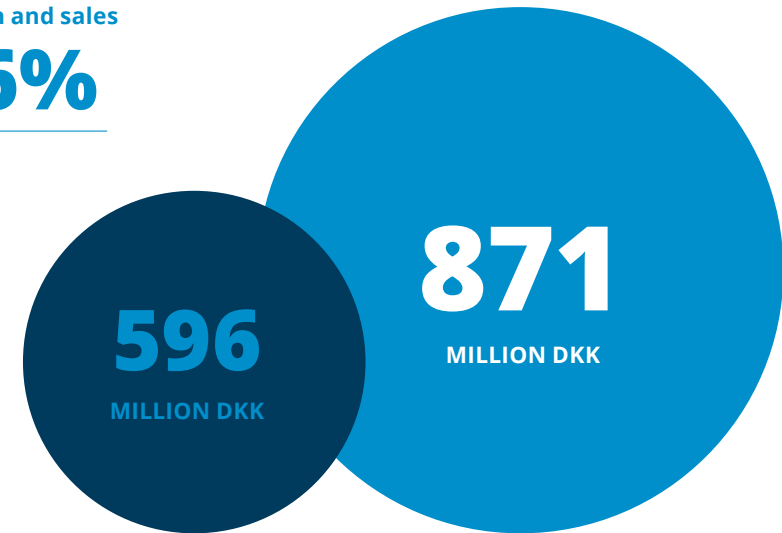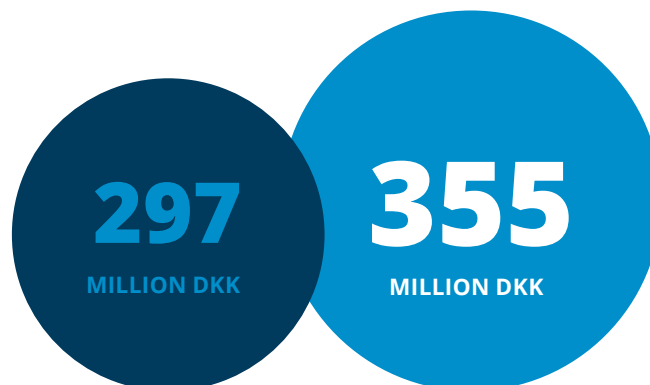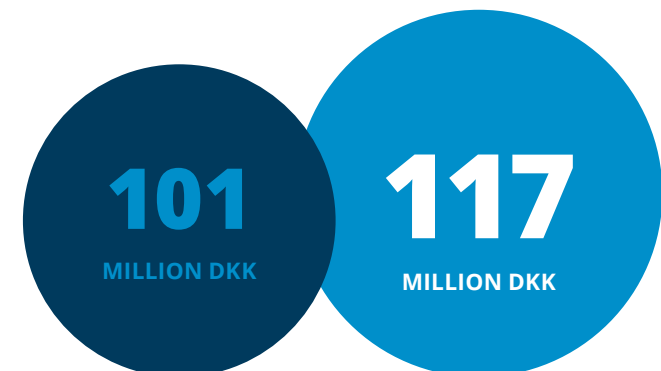
Income and balance sheet

An operating income (EBIT) of DKK -21 million was recorded for the year, compared to DKK 93 million in 2021.

The decrease of 123 percent was a consequence of increased costs related to the new organization and initiatives to support the adjusted strategy and investment in new headcounts to fuel future growth.

Profit before corporate tax was DKK 11 million in 2022, compared to DKK 122 million in 2021, corresponding to a decrease of 90 percent. The decrease in profit before corporate tax was predominantly a consequence of the change we saw in EBIT.

Milestone delivered a satisfactory financial result with profits slightly below expectations despite the uncertainties as a result of the COVID-19 pandemic, the general geopolitical situation, and increased cost relating to executing the strategy.

The total value on our balance sheet as of December 31, 2022, was DKK 1,858 million, compared with DKK 1,636 million on December 31, 2021. The total equity amounted to DKK 799 million at the end of 2022, compared with DKK 788 million at the end of 2021.

Cash at bank and in hand as of December 31, 2022 was DKK 194 million, compared with DKK 155 million on December 31, 2021. The increase in cash at bank and in hand is mainly due to payment received on a loan given to Canon Inc. of DKK 51 million. Milestone's financial position is considered strong and healthy.

1,636
TOTAL ASSETS IN
MILLION DKK

2021

1,858
TOTAL ASSETS IN
MILLION DKK
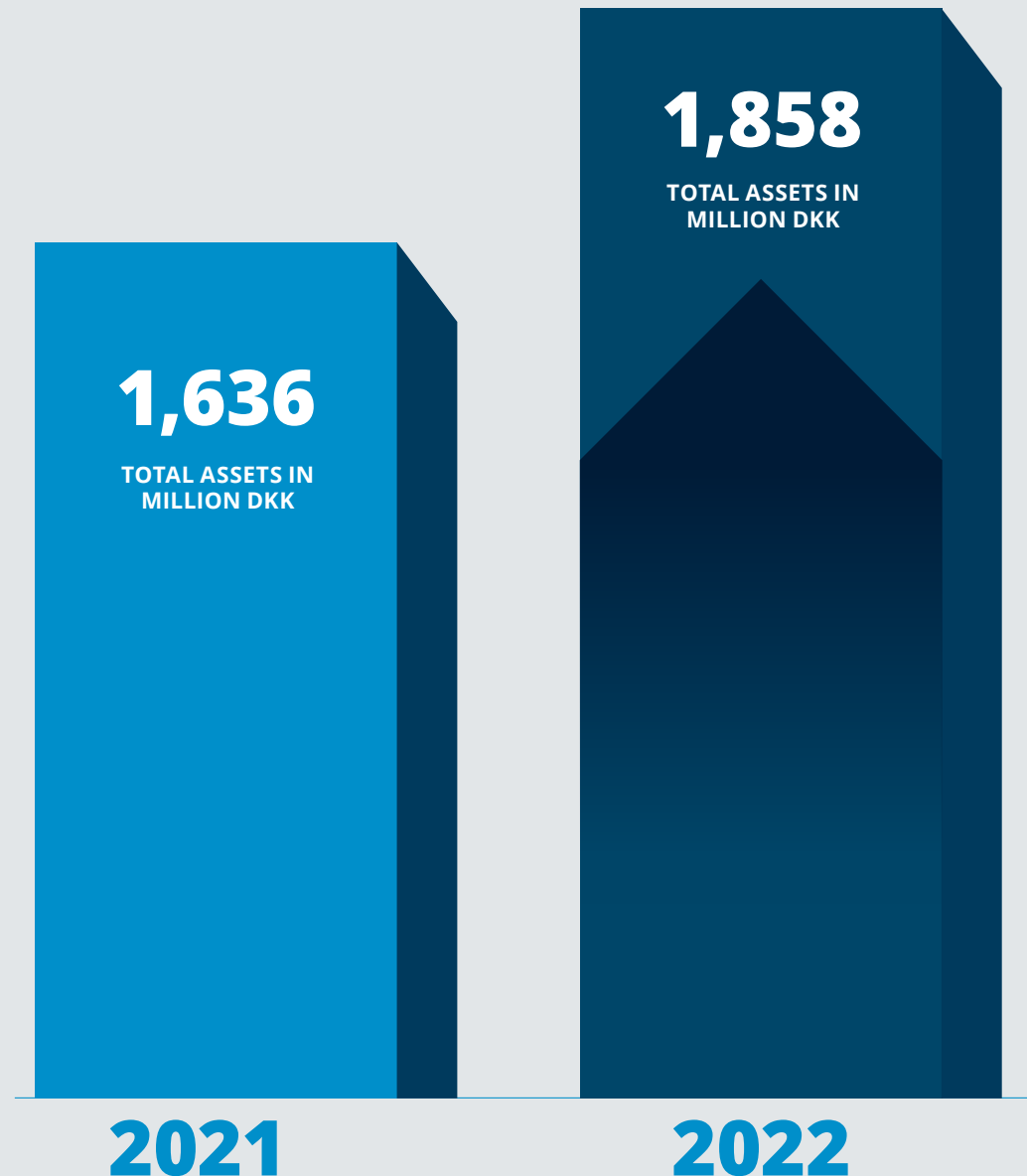
2022

Outlook

The Executive Leadership Team believes that there are good business opportunities in 2023. EBIT for 2023 is expected to be higher than in 2022 as a result of the anticipated profitability increase from our strategy.

As a global company with customers around the world, Milestone is subject to varying market conditions. Potential lockdowns and mobility restrictions could continue to impact customers, partners, and employees in 2023.

In addition, challenges such as component shortages, supply chain disruption, and the global macroeconomic situation mean that our assumptions are more uncertain than normal.

"The focus on the healthcare and hospitality industries offers the chance for Milestone solutions to play a deeper and more important role in solving specific issues. It's a chance to show how video technology really makes a difference."

Jos Beernink.
Vice President, EMEA

REGIONAL UPDATE $\longrightarrow$ EMEA

A strong position for challenging times

Milestone is strongly positioned as a market leader in EMEA and has posted double-digit growth for several years in a row. The updated strategy offers additional opportunities to keep up the pace in the region.

Milestone has successfully gained market share in Europe, the Middle East and Africa (EMEA), and 2022 has been another year of strong growth. 'Moving ahead of the curve' is our mindset, which is setting the pace for marketing and sales in the region.

"We are in a very good position overall in EMEA, which means we are able to address the challenges we face in our region," says Jos Beernink, Vice President, EMEA. "After COVID-19, the war in our region has caused higher energy prices, inflation, and uncertainty among people and businesses."

This means that we must keep in mind the concerns of our partners and end customers when we build relationships and do business.

This is something we are very much aware of and ready to continue doing.

Focus on solutions and business outcomes

The updated strategy shifts emphasis from selling products to selling solutions, with a focus on the business outcomes created by those solutions. Jos Beernink: "We are playing a larger and more important role with many of our partners and end-customers. This means that they gain greater benefits from the open platform that Milestone is offering, and they will be able to harvest more business outcomes than ever."

An essential part of the strategy is making full use of the opportunities in the new Partner Program.

"The Partner Program offers us enormous opportunities. We are now able to increase our collaboration with the partners that have the biggest potential to grow and benefit from our partnership. We can advise and train our partners in our solutions in more depth, and we are able to create stronger relationships and loyalty," says Jos Beernink.

The focus on customized solutions for specific industries brings brand new opportunities.

Jos Beernink: "The focus on the healthcare and hospitality industries offers the chance for Milestone solutions to play a deeper and more important role in solving specific issues. It's a chance to show how video technology really makes a difference."

Keeping engagement high

To continue growing and be able to fulfill the potential of the business strategy, Milestone EMEA has an important task in recruiting and retaining people.

Jos Beernink: "This is one of our biggest challenges. To be able to outperform our competitors, we need to work on many levels with initiatives that will help us hire and develop the right people in our organization. Also, to keep engagement and motivation high, we must regularly measure employee satisfaction to be able to act quickly should issues arise."

"In our region, Milestone is well positioned in industries such as education, healthcare, city infrastructure, and federal governments."

**Tim Palmquist,
Vice President, Americas**

REGIONAL UPDATE ⟶ AMERICAS

Growing presence is creating results

Milestone is investing heavily in the Americas, expanding its presence and strengthening its sales force to meet the opportunities for growth in new customer segments and industries.

The Americas region was strongly affected by lockdowns during the COVID-19 pandemic. But in 2022, the region enjoyed a period of growth. Milestone's updated strategy and focus on industries and solutions beyond security is creating new opportunities.

Beyond security is a game changer
"In our region, Milestone is well positioned in industries such as education, healthcare, city infrastructure, and federal governments," says Tim Palmquist, Vice President, Americas.

"These business areas demand core solutions focusing on safety and security. In addition, we are delivering solutions that focus on customer experience, ways of optimizing workflows, gaining analytical insight, targeting marketing efforts, enhancing health and learning, and much more.

"Our capabilities for delivering solutions to issues beyond security is very important and will offer us substantial opportunities in the years ahead," says Tim Palmquist.

To make the most of these opportunities, Milestone now has dedicated business development managers for each of the main focus industries in Americas.

Streamlined onboarding
As a growing company, Milestone depends on recruitment and retention to achieve success. In 2022, the Americas region hired around 100 new colleagues and the employee base is now 299 people.

Tim Palmquist: "You cannot overestimate the challenge of onboarding so many new employees. It is a tremendous task to expand your organization to such an extent over several locations, which has been the case in the Americas for about two years now.

"It takes a lot of training and education in how we do things at Milestone, and it takes cultural onboarding. Culture has a large role in our organization due to the People First mindset we promote."

REGIONAL UPDATE $\longrightarrow$ **APAC**

Staying on top with strategic change and partnerships

In 2022, the Asia Pacific (APAC) market continued to be impacted by the aftereffects of COVID-19. Combined with difficult macro-economic conditions, this has created both challenges and opportunities for Milestone in this region.

"COVID-19 has affected the APAC region in many different ways," says Malou Toft, Vice President, APAC.

"In many parts of our region, lockdowns were in effect until mid-year 2022, and there are still many restrictions in the region that interfere with having open and accessible business relationships with our partners and customers."

Business opportunities with partners

APAC is a diverse region and the countries and cultures within it are very different when it comes to using video technology for solutions and outcomes in and beyond security. There is an untapped potential for Milestone and our partners to be present in many parts of the region.

Malou Toft: "We see many opportunities to grow in both existing strong and core markets, as well as in new and more immature markets. For example, we have a strong focus on the South Pacific area, where Singapore and Australia are important markets to us. But we also see a lot of potential in countries like India that are still learning to take advantage of the possibilities that video technology offers. Therefore, we are accelerating investments in these markets. We established a new office in Brisbane, Australia, and we established a new office in India, so we are now present in four different parts of that country. In addition, we have revamped our experience centers in Melbourne and Singapore so we can meet our partners and customers in visitor-friendly and creative business surroundings."
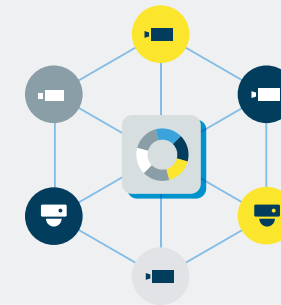
Business outcomes beyond security

A big part of Milestone's revenue in APAC comes from video technology solutions provided to private industries and public institutions.

"We play an important role in optimizing processes through insights from our video software within these businesses. Our technology also plays a key role in critical infrastructure, helping to prevent traffic jams in large cities and supporting the smooth operation of airports," says Malou Toft.

In APAC, Milestone is also seeking opportunities to expand into new industries, as well as delivering targeted and customized solutions to strategically prioritized industries. This is the case with Milestone's focus on hospitals and smart cities. In these industries, new technologies like artificial intelligence, machine learning, Internet of Things, and automation are promising new ways to optimize video technology.

New offices in Mexico City, Breda, Barcelona and Madrid

In May 2022, Milestone relocated its Mexico City office to Paseo de la Reforma Avenue.
The new office is the third iteration of the Latin American headquarters and is designed to reflect Milestone's commitment to professionalizing and growing our operations in the region.

The office will serve as a strong base of operations for Milestone to deliver the highest class of service in sales, pre-sales, and technical support. The office is also part of the expansion in the Americas region and will include new assets, a bigger team, and better service when it comes to smart cities, healthcare, education and hospitality.

In September 2022, Milestone also opened a new office in Barcelona to match the facilities in our two other technology hubs in Sofia and Copenhagen. The office is designed for flexibility and scalability. Flexibility resonates well with our Workplace of the Future program, and the office is scalable to allow for the growth of Milestone with more people and more functionality in our offices.

Also, we have established a brand new office in Madrid and moved into new offices in Breda, Netherlands.

Mexico City

Customer Stories

An impact worldwide

Poland
Katowice City Hall

Belgium
Unlin Group

Jackson, Wyoming
Jackson Hole Airport

Lebanon
SESOBEL, NGO for
children with autism

Orange County, California
The Anaheim Union High
School District

Ireland, West Coast
Shannon Airport

Puerto Rico
Puerto Rico Department
of Education

Tata, Hungary
Güntner-Tata

Mumbai, India
Bharat Diamond Bourse

Ravenna, Italy
Senzani Brevetti SpA

Sydney, Australia
Shopping Center

Panama
Global Cargo Panama

CUSTOMER STORY → **EMEA** → **VARNA, BURGAS, BULGARIA**

The cloud lightens the load for Bulgarian airport security

The twin airports of Varna and Burgas, operated by Fraport Bulgaria, have embraced virtual solutions.

With miles of sandy beaches, Bulgaria's east coast attracts crowds of tourists seeking sunshine with cool temperatures. The twin airports of Varna and Burgas, operated by Fraport Bulgaria, provide a gateway to the picturesque Black Sea coast.
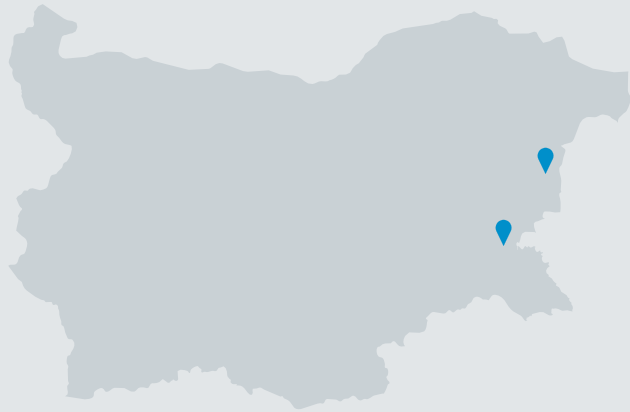
> The system sends out an alert when a specific event occurs and directs the security team's attention to the location.

Fraport Bulgaria has partnered with Milestone for more than 10 years. The airport operator moved from analog security technology to a digital, IP-networked Milestone and Axis solution. This allowed the company to later add artificial intelligence-powered video analytics. It then progressed into a cloud solution to ease the burden on storage.

An easy virtual journey

Today, an in-house cloud solution for video management provides easy operations.

The system sends out an alert when a specific event occurs and directs the security team's attention to the location. It records and documents events. Human intervention has been minimized by automating the analytics and response.

Using artificial intelligence-powered technology, the system detects and tracks objects, violations, or other incidents. It sends a signal to the system for certain actions.

Open to innovation

Other major shifts include a mobile server that provides access via a standard web browser and a mobile application for Android. Any smartphone or laptop works like an extra camera.

Milestone's open platform allowed Fraport Bulgaria to add facial recognition in areas that had previously only been admissible with a physical pass. The company also plans to integrate artificial intelligence to provide information on crowding.

CUSTOMER STORY ⟶ **AMERICAS** ⟶ **HOUSTON, TEXAS**

Using technology to ensure quality of life

Real-time alerts keep citizens safe in Houston service center.

The City of Houston's Metropolitan Multi-Service Center (MMSC) is one of the biggest early voting sites in Harris County, Texas. It is also hosts government and non-profit programs and services for people with disabilities.

The MMSC, located in West Gray, used to rely on staff to physically secure the expansive seven-acre property. Over time, the center needed better solutions to keep staff, tenants, and people with disabilities safe. It also needed to secure the premises during elections.
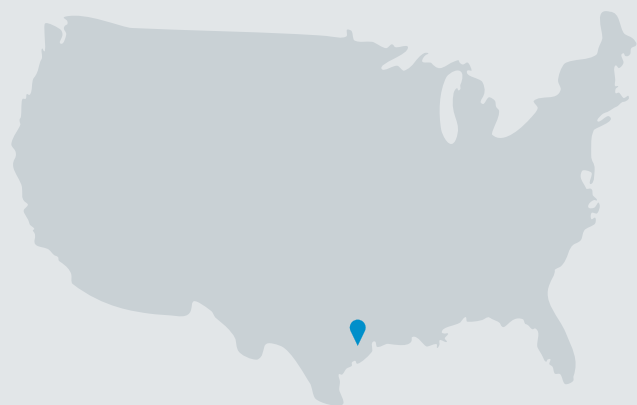
> Having real-time alerts for safety situations requiring immediate assistance is crucial in providing public service.

The center opted for Milestone XProtect® to provide 24/7 monitoring. The City of Houston could use the technology to share data across multiple jurisdictions and departments.

"Having real-time alerts for safety situations requiring immediate assistance is crucial in providing public service and ensuring quality of life for Houston's citizens," says Angel Ponce, Director of the Mayor's Office for People with Disabilities. "Thanks to Milestone and their technology partners who have come together to help us with our security project, we have now enhanced our ability to keep eyes and ears on our facility at all times."

Mitigating risks

The City of Houston was able to mitigate risks at its polling site during elections. Up to 8,000 voters cast their vote in the center each voting year.

According to a report from the Harris County Election Security Task Force, five incidents occurred at MMSC during the 2020 presidential election early voting period. The incidents included voter intimidation, the use of sound amplification devices within 1,000 feet of the polling location, and a request for help with traffic and pedestrian control.

A situational awareness platform allows the City of Houston team to share data with law enforcement, fire department personnel, emergency managers, special events personnel, analysts, and more.

Awareness across all locations

The system shows a visual map for safety professionals to easily see police, fire, emergency medical service calls, road hazards, and more key resources in the area.

Before the security upgrade, the center relied strictly on staff rounds to make sure the areas were clear and people were safe. With more than seven acres to cover, it was impossible to rely on human interaction only to check the premises.

Now the MMSC can be alerted in real-time if an incident occurs without waiting for an incident report to be filed. Not only has there been a significant improvement in the daily quality of life, but the voting process can also be monitored more effectively on site by staff and remotely by law enforcement.

CUSTOMER STORY → **APAC** → **HOBART, AUSTRALIA**

Video system makeover turned Hobart into a leading Smart City

Home to a population of 218,000, the Australian city revitalized its poorly-functioning network with to state-of-the-art technology.

In 2020, the City of Hobart, Australia conducted an audit of its video cameras. The result was not good.

"The system had come together over time, so it lacked cohesion and oversight," says Dylan Styles, City Security Project Officer for Hobart. "Some cameras weren't working, many had not been updated, and there was no real governance over the network."

> The ability to link other systems to Milestone is great for us, providing the capability of looking at a specific area or incident, then activating other systems to help us resolve or understand further what is happening.

As well as discovering out-of-action cameras, the audit revealed other problems. It uncovered a lack of common storage for the networked camera streams, which meant staff had to manually download data to obtain video footage.

It was time for Hobart's video system to get a makeover.

Smooth operations

The city's security team deployed Milestone's XProtect video management software (VMS). This enabled control of Hobart's network of 240+ cameras and sensors. Empowered by XProtect, the City of Hobart Council set up a Safe City Hub. The council helps day-to-day safety operations run more smoothly and allowing for better control of large events. The upgrade provided greater visibility over public spaces and more advanced capabilities to manage and understand traffic flows.

Hobart's state-of-art video network also helped city managers fulfil their objective of running a modern, world-class capital city. "By maximizing the use of our security technology and adding sensors and analytics, we can effectively kill two birds with one stone," says Robert Stevenson, Manager of Hobart's Smart and Sustainable City unit. "Our security network has become more than the sum of its parts and gives us real Smart City abilities."

In-depth insights

By adding smart nodes and sensors at key points, Hobart's city employees can access more in-depth insights, which allows for better decision-making. Robert Stevenson says: "Milestone is incredibly powerful when it comes to integrating with other systems. That flexibility enables us to innovate."

Such Smart City features make Hobart more attractive to potential investors. For example, if a developer wants to scope out a new retail location, the City of Hobart Council can provide intelligence to aid the decision-making process. The upgrade has other features, such as sensors that monitor rainfall and river levels and cameras that control parts of the city's lighting.

With existing technology and plans for future expansion of its network and analytic capabilities, Hobart is at the forefront of Smart City development – not just in Australia, but across the world.

"The ability to link other systems to Milestone is great for us, providing the capability of looking at a specific area or incident, then activating other systems to help us resolve or understand further what is happening," says Robert Stevenson. "It allows us to manage the city better."

Our Business

BUSINESS MODEL AND STRATEGY

Creating business outcomes through open platform software

Milestone Systems is a leading provider of open platform video management software.

Based on an open platform, our video management software enables integration with the industry's widest choice in cameras, devices and best-in-class business solutions. Our open platform makes it possible for our hardware and software partners to grow their business and integrate their video solutions for security and beyond security purposes. We operate our business through a two-tier distribution and partner channel model, and our solutions are available in most countries around the world. This model provides great scalability. We are continuously adapting the way we do business to fit market conditions and customer needs, wherever it makes sense for us, our partners, and customers.

Our focus on open platform video management software (VMS) connects our channel and technology partners to each other so they can build best-of-breed video solutions.

Software/Hardware   **Distributors**   **Resellers**   **End-Customer**
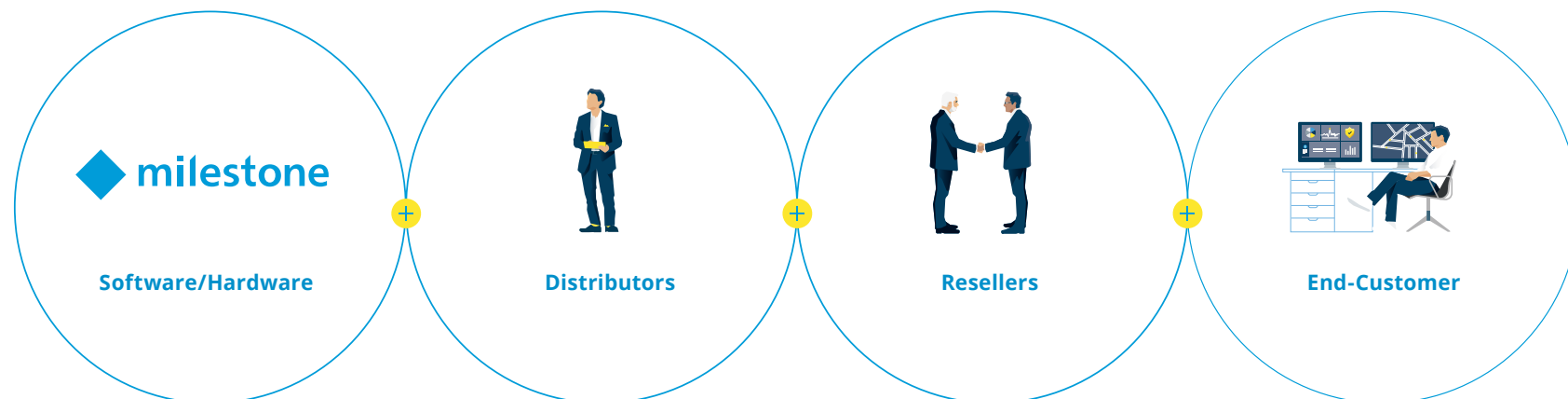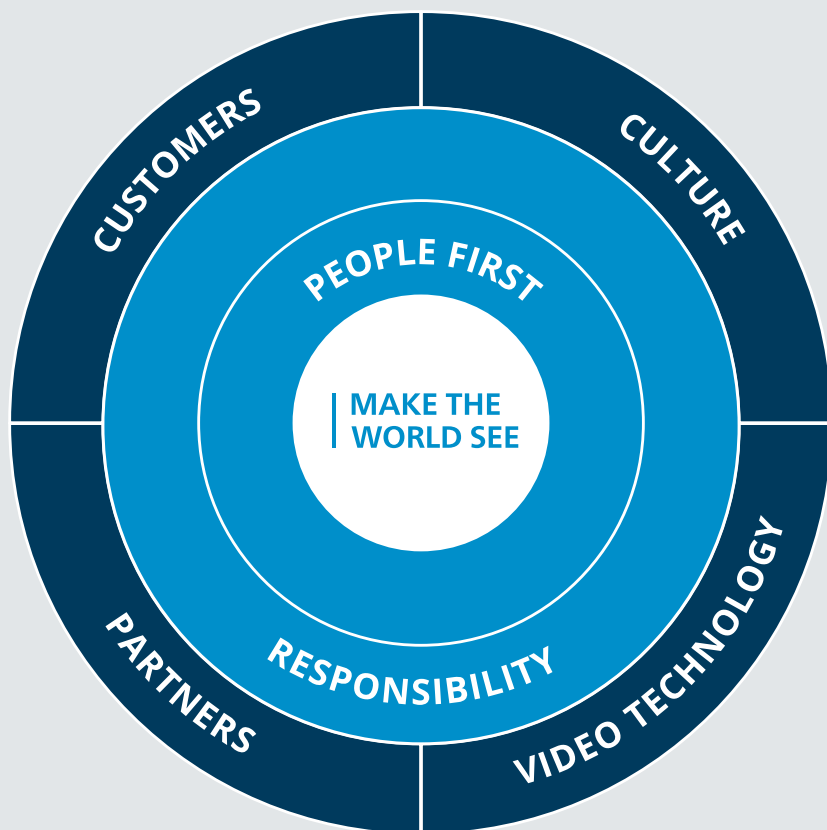
Make the World See much more

The market for data-driven video technology software is changing. Our business strategy has been updated to bring us to the forefront of these changes. Many strategic initiatives have already been executed.

Milestone updated its strategy in 2022 to reflect the growth target of more than doubling revenue within the next five years. The world is changing and today we see completely new ways society can benefit from our technology. Our strategy sets a clear direction and prepares us in the best possible way to transform our industry by setting the standard for data-driven video technology software in and beyond security.

Why, How and What

Central to our strategy is Why we exist. We envision a future in which video technology can be used to explain the past, understand the present, and predict the future, with the intent of creating a positive impact for businesses and society. That is what we mean when we say we want to Make the World See.

Our How is our approach – People First and Responsibility. This is our mindset and competitive advantage. It's what makes Milestone unique.

People First is at the core of everything we do. We build a culture focused on engagement and well-being when we develop, market, and sell our products and when we collaborate with partners.

Responsibility is our license to operate. It's the basis for developing and integrating technology and it's a driver for choosing partners and business focus. We want to be a beacon for responsible technology in our industry.

Our What is our four strategic objectives. For each of these we have defined strategic choices for what we will focus on, and we have defined clear strategic initiatives to accelerate these choices.

Culture

At Milestone, culture is a differentiator. Our global position, technology, and brand is not enough to make us an employer of choice and an attractive place to work in a very competitive market for top talent. We truly believe our employees are our most important asset, and we continuously improve our working conditions, empower employees and teams, and create flexible, digital and hybrid working environments.

Video technology

Video technology software is the core of our product offering and will remain so. In the years ahead we will develop our open video technology platform in brand new ways. We constantly ensure that our technology is geared for growth, and we are positioning ourselves in cloud, on premise, and hybrid solutions with many new offerings.

We will focus on business in traditional markets that demand solutions for safety and security. At the same time, we believe in pursuing the business opportunities that lie in areas such as healthcare and hospitality. Together with our partners, we will develop specialized solutions that address unique customer needs to empower people, businesses and societies.

Partners

Our partners play a vital role in our business model and strategy. We have already launched a new partner program with incentives for our partners. In the years ahead, we will continue to strengthen our relationships with partners to increase our common marketing and sales efforts, to create specialized solutions for key customer industries, and to explore together what can be achieved by integrating video technology software into new areas.

Customers

We have revisited our customer focus to fit a world using video technology for different purposes: to secure a business and to optimize a business. To be able to match the demand for customized solutions, we are adapting our customer programs and aligning our customer journeys.

We want to maintain our leadership position in EMEA and APAC, and by strengthening our presence in the Americas we expect to grow significantly in this market. We see great opportunities in developing specialized offerings and we will accelerate marketing and sales to pursue business outcomes that benefit people, businesses, and societies.

Business outcomes – changing the way Milestone creates value for customers

Today, we see that our customers expect a higher return on investment from their technology including their video systems.

To make it easy for customers to see the advantages they can get from data-driven video technology, Milestone is fundamentally changing the way we think and act about creating value for our customers.

That's why we introduced business outcomes as part of our strategy for 2026. Business outcomes is a different way of thinking about creating value for customers. Instead of talking about products, features and solutions, we started to look more deeply into the way we develop and sell technology.

Business outcomes is a mindset that allows companies to create solutions that their customers recognize as solving a real need, acknowledge as valuable to their business, and are willing to buy.

Milestone's approach to business outcomes is to let the customer contribute

to the conversation from the beginning, both in the early stages of product development and in go-to-market-choices (contrary to the traditional sales approach of explaining product and feature values). This makes it easier for customers to translate what our technology delivers into the value it will create for them. Here's how we engage with our customers:

1:

Understand the customers true pain points and challenges in their business. Do not start off the customer conversation with features or solutions that have already been developed.

2:

Ensure that product and R&D teams test whether the technology can in fact meet the customer's needs.

3:

Explain, sell, and market what the technology delivers to the customer based on value rather than features and verify that they agree it solves their problem,

acknowledge that it is valuable to their business, and that they are willing to buy.

Adopting a business outcomes approach brings technology companies closer to their customers and gives them a much better understanding of what their true needs are. In return, customers often see these companies as trusted advisors.

To give you an example, look at how data-driven video technology can be used in healthcare. Nurses are in short supply almost everywhere in the world.

A hospital's chief nurse leads the conversation and explains that nurses do not have enough time to care for their patients because they have too many routine tasks.

Here's what this looks like broken down into components

- Product: Data-driven video technology in hospitals.

- Solution: Reallocating routine observation tasks away from nurses.

- Business outcome: Giving nurses time to give their patients a more personal level of care.

That is a valuable business outcome recognized by patients and hospitals.

Using video technology to take care of routine observation tasks, we can give time back to nurses to use for caring for their patients. This represents real value for the chief nurse because it solves a real-life challenge that they face every day.

MARKET AND PARTNERS

What does it mean to 'go beyond security'?

Safety and security will always be at the core of Milestone's business. But to revolutionize our industry, we must think beyond the traditional market.

Next time you are driving down the highway, look up. You will probably see some video cameras making sure you stick to the speed limit and keeping an eye out for dangerous drivers.

Such cameras have become a common safety feature in modern cities. But what if those very same cameras could be used to learn vehicle flows and help officials manage congestion so you wouldn't have to sit in traffic for hours on end. You would gain back quality time to spend with family and friends. Plus, it would help mitigate pollution.

New market opportunities

This is an example of where we see video technology going "beyond security."

Milestone's XProtect video management software has been used by customers around the world to provide evidence to solve crimes and to protect people and assets. That's not going to change in the future – XProtect will continue to give customers that peace of mind.

What will change is how, together with our partners, we will create value for customers with data-driven solutions that fall outside the typical safety and security applications.

Expanding market scope

By expanding the scope beyond our traditional market, Milestone aims to become a global leader in data-driven video technology in and beyond security.

This will help us deliver on our ambitious growth target of more than doubling our revenue within the next five years and will grow our partners' business as well.

Milestone is uniquely positioned to deliver game-changing technology thanks to XProtect's open platform.

Our open approach means our software can easily connect with the widest choice of cameras and devices while technology partners provide the important features.

We see a future in which game-changing video technology serves humanity – not the other way around – and helps improve societies. That's what it means to go beyond security.

Winning with top partners

Milestone's business relies on our partnerships with distributors, integrators and resellers, as with a wide range of technology partners.

In July 2022, we rolled out the new Milestone Partner Program to better serve our most dedicated partners and help them address customer needs.

Improved partner service

The streamlined Milestone Partner Program categorizes partners in three tiers – Authorized, Advanced, and Premier – and is based on the level of business we do together as well as certifications and training.

The new program will be enhanced and adjusted throughout 2023. For example, Milestone will improve the training initiatives we offer to help partners access the rich features of XProtect. We will also introduce a joint business planning program to help partners with their goals.

"We want partners to sell more and give them a better experience," says Bill Rainey, VP of Global Channel Strategy. "We only have so many feet on the street, so we want to focus on providing a better service to our top partners and working more closely with them."

Video-enabled technology for hospitals

Milestone announced plans for a new healthcare offering.

For many years, we have heard that hospitals around the world have suffered from the same ailment: staff shortages.

In United Kingdom alone, the National Health Service reported a shortage of 90,000 full-time staffers in 2021. The issue predates the COVID-19 pandemic and has become chronic. Many caregivers experience burnout and exhaustion from treating an ever-growing number of patients.

When coupled with the aging global population there is a pressing need for innovative solutions that will improve working conditions. This will help nurses and doctors deliver the best patient experience they can.

Special healthcare solution

At the end of 2022, Milestone announced plans to bring our video technology beyond the traditional security market with new specialized innovations.

At MIPS, our partner summit, we announced the upcoming launch of new video solutions aimed at the healthcare industry, starting with video-enabled technology for hospitals.

Focus on patient experience

We see a future in which data-driven video technology is a game-changer that will help to make the world a better place for us all.

The healthcare industry has always been on the cutting edge of innovation. We see a future in which data-driven video technology helps healthcare staff concentrate on what matters most – delivering the best patient experience.

Back with a bang – MIPS

The latest edition of the Milestone Partner Summit (MIPS) was the first fully in-person event in two years.

To coincide with the launch of our new Partner Program, MIPS 2022 was an exclusive gathering of Milestone's top partners. More than 850 attendees came to the events in Minneapolis and Dubai.

Under the theme 'Building the New Next', partners learned about Milestone's strategic direction from members of the Executive Leadership Team. They also heard from special guests.

Going forward, MIPS will continue to be a partner-focused event with tweaks along the way. MIPS will be back to a pre-COVID setup in Spring 2024. We look forward to having many more in-depth conversations and getting to know the needs of our key partners.

INNOVATION & TECHNOLOGY

Flying high with Milestone Kite™

From on-premise to hybrid to pure cloud, Milestone now has a full suite of options for partners to offer.

In 2022, we lifted the curtain on Milestone Kite, our new cloud-based solution.

Powered by Arcules® – a fellow Canon standalone company and a Milestone spin-out – Kite launched in the United States in January 2023 and will become available in other regions later in the year. It is aimed at small- to mid-sized businesses, as well as multi-site operations.

Strong potential in cloud

We believe there remains a strong demand for on-premise and hybrid solutions, as well as pure cloud.

According to Omdia, the global Video Surveillance as a Service (VSaaS) industry was valued at USD 293 million in 2021 and is forecast to grow to USD 851 million by 2026.

There is huge demand from both smaller customers as well as organizations and businesses with multiple sites for simple but secure video security that can easily scale.

We aim to succeed in that market with Milestone Kite.

Kite lives in the cloud, rather than in on-premise data centers, and offers simpler functions compared to our main, feature-rich XProtect product. It is quick to install and, like XProtect, is designed with cybersecurity in mind, with continuous security updates and global backups. It also has built-in people and vehicle detection functions, heat maps, and a forensic search capability that can supply end users with data they can use to improve their security set-up and business operations.

One solution, many possibilities

As well as catering for smaller businesses, Kite is also suitable for organizations with operations across multiple sites – from hotels to retail chains to schools – that need to tie their video security offering into one solution.

Supporting more than 6,000 camera models from over 100 manufacturers, Kite further demonstrates Milestone's commitment to the concept of open platform software.

Tweaking with our tech

Each year, we release three updates to our software. Continuously upgrading our technology is a cornerstone of Milestone's strategy.

Incident Manager goes big

The year 2022 saw the full roll-out of Incident Manager across the entire XProtect portfolio. The extension lets users log and document incidents in a much more streamlined way and makes it easier to create reports when an incident occurs.
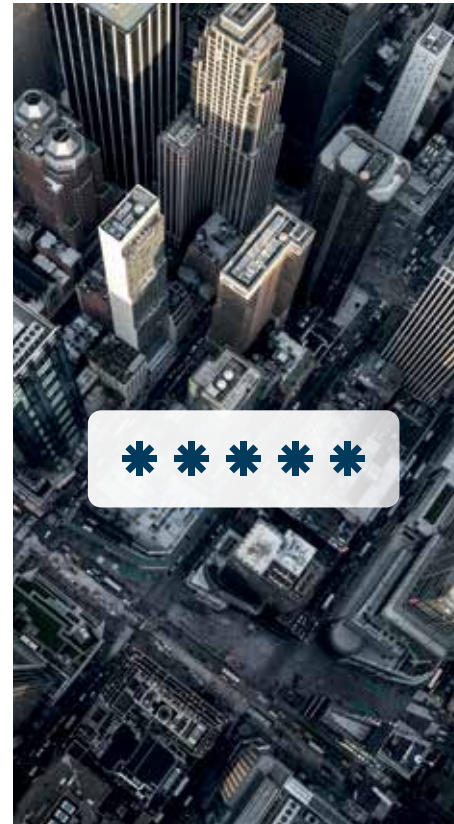
Say hello to single sign-on

Part of our ongoing investment has gone towards introducing more modern protocols to our security and user authentication capabilities. Now, a single sign-on authenticator (SSO) has been deployed for mobile and web clients and can be used for all XProtect customers, which makes it much more efficient when it comes to securely authenticating users.
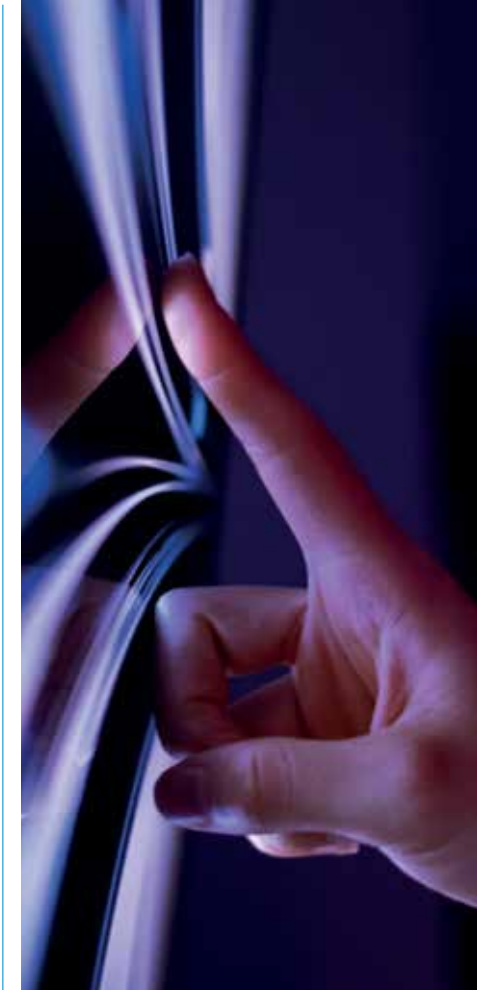
UX and UI makeover

The user experience (UX) and user interface (UI) are getting a makeover to help make the user experience easier and more efficient.

Modern architecture

We continually modernize the XProtect architecture. This makes future development easier for Milestone and our technology partners. It enables cloud development and allows for smoother partner integrations. Modernizing the technology platform and Application Programming Interface (API) also enables Milestone to attract and retain tech talent.

High demand for Husky IVO

We saw high demand for our hardware solution in 2022. Built with Dell Technologies' hardware, the Husky has an efficient set-up and support that customers appreciate.

Extending the AI Bridge

We launched the AI Bridge software development kit in 2021 with the goal of making XProtect the preferred VMS for the creation of Artificial Intelligence (AI) and video analytics applications. During 2022, we worked on building an extension to the bridge.

Device integrations

At the close of 2022, we supported more than 12,000 cameras and devices. Integrating the widest range of devices possible is a major investment focus. This is a constant task because we want to ensure partners can seamlessly and flawlessly install XProtect for their customers.

TURN HEAD

PROCESSING

UP

ARM DOWN

WIGGLE

RAISE LEG

TWIST
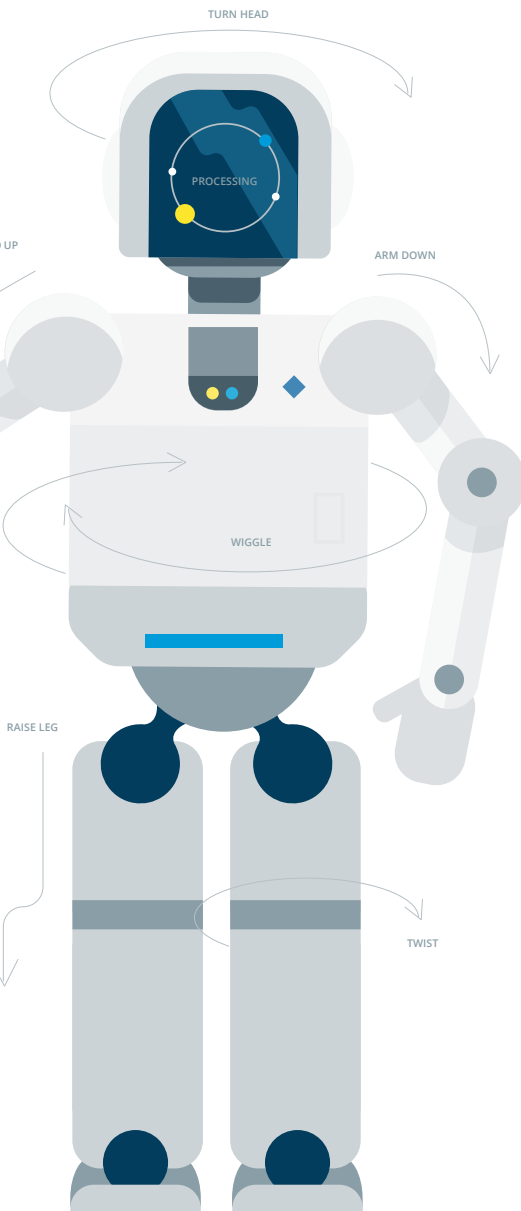
The game-changing world of artificial intelligence

The world of video technology is at an exciting turning point – with artificial intelligence (AI) set to play an important role in our industry.

These days, there are three types of devices on the market. Some have no AI, while others have some basic analytic capabilities. Then there are the smart, deep-learning devices. Over the next few years, we expect new devices to be smart, though there will still be legacy devices in operation for decades to come.

Using what's called convolutional neural network (CNN) – a type of computing system inspired by the neural networks in human brains – we expect that smart devices will become much better at classifying and understanding objects in a scene. They can do it better than humans and can easily scale up. That's a big change that's coming down the tracks.

Research
Milestone's research department – a team of 25 researchers and experienced engineers – looked into some of the latest advancements in the field so we can see which possibilities video may have in the years ahead.

The ability to detect and classify objects in a scene is commonplace, using so-called boundary boxes that can spot items in an image. It does a good job but can't fully read a situation. For example, the technology today can't really tell the difference between two people shaking hands and two people fighting.

A more sophisticated technique, called semantic segmentation, is much more effective at interpreting a situation because it categorizes every pixel in a scene, rather than simply boxing items into categories. Coupled with something called pose estimation – which looks for behavior patterns in a scene – and anomaly detection – which can spot unusual patterns at a specific site – the technology is becoming more and more advanced.

Privacy concerns
One example of how privacy concerns can be balanced with AI comes from the Danish municipality of Aalborg, where Milestone's research department has worked on using video analytics to detect people falling into the city's harbor.

Accidental falls into water, especially at night or in colder seasons, are extremely dangerous and can cause death.

Surveillance cameras with proper video analytics can be very useful for detecting such incidents, but their scope of use is limited because of the need to protect people's privacy.

Thermal cameras have been used instead, as sensitive information – like a person's face or clothing – cannot be picked up but the cameras can still identify if an anomaly has occurred, such as someone falling into the water.

Unreal Engine

We have also been using synthetic data to ensure we train behavior detection models responsibly. Synthetic data is basically an 'artificial' dataset containing computer-generated information instead of real-world records.

It is generated in a manner that maintains the characteristics of real-world data – but doesn't interfere with the privacy of individuals.

At Milestone, synthetic data is generated through Unreal Engine, a video game graphics tool used for creating realistic 3D visuals. With Unreal Engine, we can create realistic scenarios in which animated 3D characters and/or objects complete a variety of actions.

By changing a host of elements – such as camera angles or character features – we can create an almost infinite number of datasets. For example, starting with a real image the engine can create multiple synthetic versions of the image in low-light, in snow, or in bright sunshine.

Right now, the synthetic data project at Milestone is running an entire photorealistic city with an unlimited number of characters and other moving figures, such as vehicles. It is a real game changer.

At Milestone, we focus fully on creating value for our customers in the short term, while staying ahead in the long term with our strong research capabilities.

PEOPLE AND CULTURE

Creating the workplace of the future in times of change

Milestone is experiencing changes and challenges that call for new measures to grow our people and revitalize our culture. Many new initiatives have been launched to recruit and develop people.

Milestone is growing. Around 200 net new colleagues joined our company in 2022. We now have close to 1,300 employees worldwide, and more than 70 nationalities working from 25 countries around the world.

This is in itself a success story. But it is also a challenge. Recruitment and development of people in an organization that is changing is always complex, but in an era of macroeconomic uncertainty and instability it is even more challenging.

The Culture Revitalization Project

Milestone has a strongly rooted culture of putting people first. The strength of our existing company culture is a precious asset for attracting and retaining the best talent. However, we must safeguard and adapt our culture as we scale. That's why we are running a Culture Revitalization Project.

Revitalizing our culture requires wide and meaningful engagement. We are involving employees in every stage of the project, from analyzing the situation to determining opportunities for strengthening our culture to developing solutions that will create improvements. We have also been running a campaign across Milestone to better understand how people experience our culture and how we can continue to strengthen it to support our long-term goals, strategy, and ways of working.

Empowered and accountable teams

As Milestone continues to grow, we are met with more complex trade-offs and demands for effective action and decision-making. This can only be done if we have an empowered and accountable organization. We are working to developing leaders who can drive empowerment so that our people can take on more accountability.

We are also redesigning key cross-organizational decision flows.

As part of this initiative, we have redesigned and extended our leadership development training, and put together a career framework with clear descriptions of jobs. This makes it easier to understand which qualities produce success and make it easier to identify and target development opportunities and drive the accountability associated with empowerment. Empowerment also requires defined and decentralized decision flows. To address this, we are redesigning the decision flows that have the highest financial impact plus competing priorities.

Talent review

These new initiatives do not stand on their own. They are supported by the continuous improvement of existing measures for recruiting and retaining talented people.

One of these initiatives is a company-wide talent review that takes place once a year. This exercise serves as a kind of 'health check' of current talents within Milestone. It identifies the employees who might be able to develop skills that would help us achieve our goals in the future. The aim is to create a more structured approach to talent development.

The talent review provides guidance for managers to support their employees in driving their own career development, whether the employees are new or experienced in their roles. Milestone leaders can help employees discover how their skills and interests might prove useful in other areas of the business. The talent review lets us look at how we can take advantage of the talent and opportunities that already exist in our organization.

Employee satisfaction drives performance

As a company putting people first, it is essential to our performance that our employees are engaged and passionate about their jobs.

To make sure we are aware of employees' well-being and opinions about their working environment and conditions, we carry out measurements.

Our yearly Global Employee Survey is carried out by the management and analysis consultancy Ennova. It measures our employee's engagement on several touchpoints and is compared to the Global Employee & Leadership Index, which is based on a survey answered by 40.000 people in 42 countries.

The yearly employee survey was completed by 94 percent of all our employees. It shows a high score on overall satisfaction and motivation (76) and loyalty (84). Our scores on reputation (83), co-operation (85), immediate manager (83), job content (81), working conditions (78) and learning and development (78) are also satisfactory and only slightly lower than last year's results.

Our measurement of employee net promoter score (eNPS) is carried out more frequently and is communicated quarterly to all employees.

The eNPS is a metric used to measure employee engagement and loyalty towards a business. The score ranges from -100 to +100. Together with the engagement score (measured from 1 to 10) it gives us a valuable indicator of the temperature of our company.

In 2022, our employees gave Milestone an eNPS of 34 and an engagement score of 7.9. That is a high and satisfactory result, although our eNPS has taken a small step down from a very high level.

Key results from our measurements are illustrated on page 59. We have also stated the number of countries in which Milestone is represented, the number of nationalities working at our offices, and the number of employees working at Milestone at year-end.

These are all non-financial figures that we report consistently year after year, both internally and externally.

Employee net promoter score

2020	2021	2022
46	44	34

Engagement score

7.9
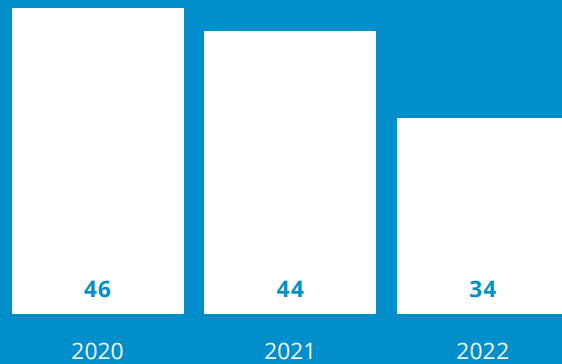
= Very good

Nationalities

70
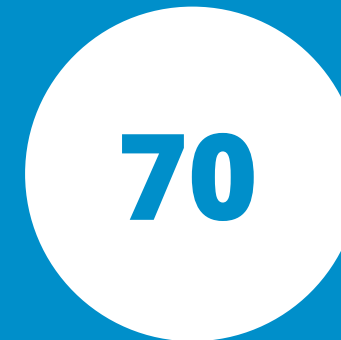
Represented in Milestone offices globally

Employee growth

2020	2021	2022
934	1,088	1,281
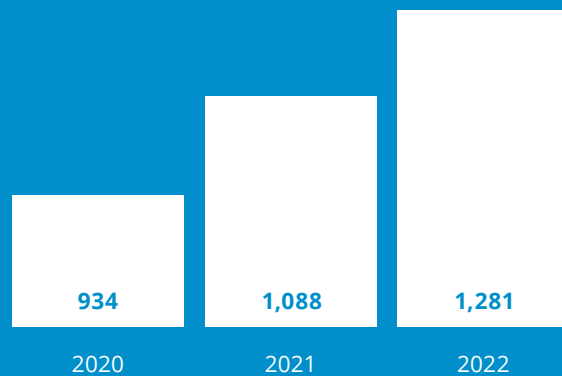
Number of employees at year-end

Countries

25

Milestone is present all over the world

Global employee survey

Satisfaction and motivation

75	76

Loyalty

83	84
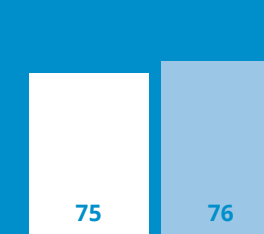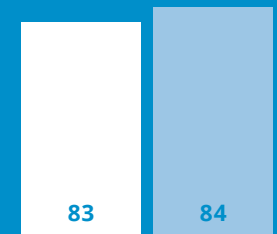
☐ Global employee and leadership index   ☐ Milestone

Environmental Social Governance

ESG FRAMEWORK

A new set-up for ESG reporting

Milestone has launched a new framework for reporting on environment, social and governance (ESG) matters. Here is what you need to know.

As Milestone has grown, so has the need for a more robust approach to compliance and risk management within environmental and social sustainability and to ensure good governance in our global operations.

In 2022, we expanded the ways we assess, monitor, report, and act on ESG topics that could affect our business and stakeholders.

We structured our reporting around topics related to the environment and climate, social relations and people, and governance and risk. We relied on Danish guidelines and international sustainability reporting standards to guide our internal

discussions and priorities and our external reporting.

Materiality is our guide

We prioritize our work on environmental, social and governance issues by focusing on the most material areas first. We have adopted the principle of double materiality, whereby we seek to understand the relative importance – materiality – of ESG areas to both Milestone and external stakeholders.

We have assessed data privacy, trade compliance, human rights, and anti-corruption to be among our most material areas. This assessment draws on both a legal and policy analysis, extensive

stakeholder interviews conducted to determine what 'responsible technology' means at Milestone, now and in the future, and a human rights impact assessment.

These, as well as several other material topics, spanning environmental and governance risk, guide prioritization in our ESG work and we plan to continue to build on this foundation.

Business model

Our ESG framework and materiality assessment is closely linked to our business model, which is described in more detail on page 42.

Playing our part in sustainable development

The United Nations' Sustainable Development Goals (SDGs) serve as a blueprint for making the world a better place. Here is how Milestone and our ecosystem aim to support achieving these ambitions.

Milestone identified six of the 17 goals as particularly relevant to our business:

Good health and well-being

We have a strong focus on the healthcare industry. In 2023, we will launch new solutions to ensure patient and employee safety while protecting assets and property. These solutions focus on healthcare's unique compliance requirements and working environments.

Quality education

We offer video management solutions to schools, universities, and daycare centers, ensuring a safe and healthy environment that promotes learning and well-being.

Industry, innovation, and infrastructure

Video management solutions play an essential role in critical infrastructure and city development. For example, video is used to handle large crowds and can be applied to enhance safety efforts. It can also be used to reduce costs. In addition, Milestone core solutions are broadly used in transportation industries.

Sustainable cities and communities

More and more people live in cities, putting immense pressure on infrastructure. We offer video technology solutions to create a better urban quality of life. This creates safer environments, better infrastructure, and cleaner streets and public spaces. We enable proactive responses to important issues in cities while delivering insights for officials to make long-lasting improvements.

Peace, justice, and strong institutions

Our products are used by law enforcement and governments globally to ensure peace, safety, and justice. Our technology can be used forensically, for evidence within justice systems and to ensure safety and security in cities.

However, we recognize that data-driven video technology may represent a threat to individual privacy and civil rights if developed, applied, and used in the wrong context. As a leading software provider, it is Milestone's responsibility to conduct human rights due diligence to avoid infringing negatively on privacy rights and we are continuously inviting lawmakers to a dialogue on more meaningful legislation on how data from technology can and may be used.

Partnerships for the goals

Milestone cooperates with stakeholders to protect and continuously earn our social license to operate. We create market-leading technology solutions that meet the evolving societal demands for sustainability, governance, and accountability. We cooperate with policy makers, industry associations, partners, and customers to find new solutions to common challenges.
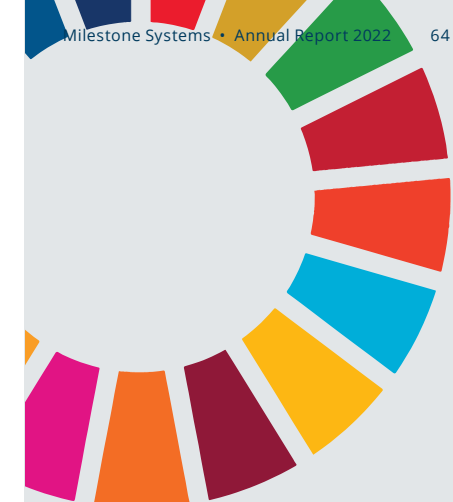
Focus on hospitals & healthcare

Focus on education

Focus on transportation

Focus on cities

Privacy, ethics, human rights, responsible tech.

Working with partners, NGOs authorities etc.

Protecting people and fundamental rights

In 2022, Milestone completed a thorough analysis of the human rights impacts of our technology. The findings laid the foundation for a Responsible Technology Program. Our aim for this program is to set and help develop further responsible technology standards for our industry in the years to come.

Milestone has engaged in other initiatives to guide our abilities to act responsibly. In 2017, we co-authored the Copenhagen Letter together with leading technology companies.

The document commits the technology industry to putting humans before business. It is based on the principle that technology should enhance quality of life.

Since 2009, human rights have been incorporated into our licensing terms, and in 2019, these were supplemented by the Copenhagen Clause. The Clause encourages partners to engage in the discussion around the responsible use of technology and to adopt the Copenhagen Clause into their own agreements.

In the last few years, several other measures have been initiated. We have collaborated with Aalborg University and the Artificial Intelligence (AI) for the People Center, which investigates the influence and governance of AI solutions. Our XProtect Corporate product has obtained the EuroPriSe GDPR-ready certification.

We have also set up a whistleblower scheme that allow us to receive and process human rights grievances and complaints in line with the UN Guiding

Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Together with partners, legislators and industry peers, we believe we can play a pioneering role in realizing the many benefits of data-driven video technology while seeking to respect fundamental rights throughout our business.

Environmental solutions are part of our value chain

Although Milestone is not a manufacturing company, the use of our products and our global operations still requires energy and produces waste, and our business activities leave a carbon footprint.

In 2022, we continued working to reduce our environmental impact and carbon footprint. We looked at our value chain to determine and manage our environmental impact.

We plan to work even more with our suppliers and partners in the years ahead to maintain the momentum behind this initiative.
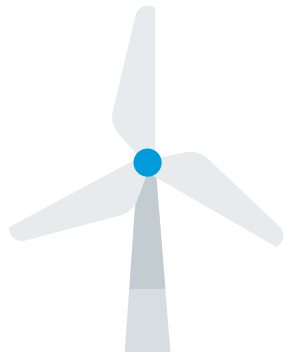
100% renewable energy

We have committed to sourcing some of our operational electricity needs from renewable sources. In a joint project with the property owner of our office in Copenhagen, solar panels have been installed on the roof of the building.

The panels have been used for two years and have performed as expected. The rest of the energy required to power the Copenhagen office comes from offshore wind turbines.

More energy savings

In addition to solar panels, Milestone has also taken other energy saving measures such as changing light fixtures to LED and installing sensors on lighting. This has produced clear results. The energy supplier NRGi measured in October 2022 that our use of electricity in Denmark has been halved, from 79.30 kWh/m2 in 2017 to 38.00 kWh/m2 in 2021. However, our heat consumption has gone up a bit, from 42.00 kWh/m2 in 2017 to 46.15 kWh/m2 in 2021.

Electricity constitutes 64 percent of our total energy costs, and cooling from computer servers accounts for 43 percent of the electricity we consume. Although our energy consumption is low compared to similar companies and offices, Milestone will continue to explore new ways of saving energy.
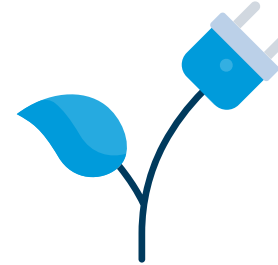
Smart technology, less energy consumption

Our largest potential impact on energy savings comes from how we can influence different aspects of our sourcing and value chain.

Smart technology design can minimize adverse effects on the environment. In 2022, we have continued to work to reduce the energy consumption of our products. In this way, we can save costs in video technology installations, as well as extend the lifespan of hardware. Where relevant, we also include environmental protection in our contracts with partners.

We require our distributors to comply with local environmental legislation, including the European Union (EU) Battery Directive, the EU Waste Electrical and Electronic Equipment (WEEE) Directive, and environmental fees.

Looking forward

Milestone plans to introduce a more systematic approach to measuring our impact on the environment. This means working to define new targets and processes in the years ahead to ensure responsible sourcing and development strategies and environmental compliance.

OUR PEOPLE AND SOCIAL RELATIONS

Working conditions and diversity are a worldwide concern

Milestone has initiated several measures to strengthen the well-being, engagement, and development of our people.

In 2022, we launched a project focused on developing our leaders so they can empower colleagues. We are also in the process of redesigning our decision flows to be clearer and more decentralized.

We enhanced our hybrid working model with the use of customized communications tools.

We continued to run our Grow Together program, which launched in 2021. The program offers colleagues tools for daily breaks that activate the body, mind, and spirit. Grow Together also allows every Milestone employee to spend a day giving back to society through volunteer work.

Cross-border working environment and rights

Milestone is a global company. We play a role in many different value chains, typically including suppliers, technology partners, distributors, resellers, and customers.

We hold a position where we can promote principles and standards for working responsibly. We do not tolerate forced or compulsory labor, and we do not tolerate child labor. We will continue to promote freedom of association and collective bargaining, as well as the rights of indigenous people. Through the implementation of human rights due diligence, we aim to monitor and address these risks by training local employees in principles and practices and assessing business partners on relevant criteria when starting up new business relationships.

We aim to develop a working environment that is safe, motivating, and empowering.

Diversity and inclusion

We believe a diverse workforce brings varied and valuable experience, ideas, and expertise to the organization. Our workforce consists of around 70 nationalities globally, with more than 40

nationalities in our Copenhagen office alone. However, we recognize that diversity is not just a question of nationality.

When recruiting to fill employee positions and when reviewing existing talent and leadership, we always look for a diverse mix of skills, backgrounds, genders, and cultures. This is also the criteria we use when we review and recruit members for our board and leadership teams.

However, we know that recruitment and talent reviews can include unconscious bias. That is why we will challenge decisions made on stereotypes and learned attitudes to ensure we maintain a culture based on diversity and inclusion.

Regarding gender diversity, Milestone's Senior Leadership Team consisted of 35 percent women at the end of 2022 (up from 26 percent in 2021).

The composition of the Board of Directors is reviewed on an annual basis. The board consists of six members, including two employee-elected members. In 2021, an employee-elected woman became a member of the board.

The four shareholder-elected members are currently all males. In the last couple of years, we have not succeeded in recruiting a shareholder-elected female for our Board. At our latest recruitment for a board member in 2022, the most qualified person was a male.

By 2026, the board aims to have at least one female candidate for election as a shareholder-elected member.

We use non-financial KPIs to manage the reporting of working conditions, including number of employees at year-end, engagement score and net promoter score (also see page 58 in which the calculation method for this is stated).

OUR INTEGRITY AND RISKS

Good governance enables growth and responsibility

Governance and management systems are key in addressing challenges and opportunities as a growing global technology company.

At Milestone, we conduct our governance and risk management with the goal of creating value for people, businesses, and societies, while minimizing the risk of causing or contributing to harm. We are a global company, experiencing growth all over the world, and we want to implement our responsible standards and actions throughout our value chain.

This calls for strong frameworks and processes, consistent implementation, and clear values. It all starts in our own organization.

The Board of Directors

Milestone is a Danish company governed by a Board of Directors in collaboration with a team of Executive Directors. Our board has four shareholder-elected members and two employee-elected representatives.

Milestone's overall objectives and policies are mandated by our Board of Directors. The board approves targets and strategies and ensures that the appropriate structures are in place to ensure good corporate governance.

Topics and policies are presented at board meetings. The Board of Directors discusses and approves our strategy outlook, budget, financial results, and annual reports. In addition, it reviews policies, accounting procedures, internal controls, information technology (IT), treasury, and risk management.

The Board of Directors also makes a yearly self-assessment of its own performance. The assessment looks at the efficiency of the board, the Board composition and dynamics, the processes supporting its work, the Chairman's performance, and the collaboration with the Executive Directors.

The assessment includes topics of governance and risk awareness, and how the Board of Directors evaluates risk management.

The role of management

The Executive Directors are responsible for day-to-day management and compliance within the overall guidelines and policies approved by the Board of Directors. In this role, they present, submit, and recommend proposals for the company's overall strategy and objectives to the Board of Directors.

The Executive Directors are our Chief Executive Officer and Chief Financial Officer. Together with our Chief Technology Officer, Chief Revenue Officer, Chief Marketing Officer and Chief People & Culture Officer, they constitute the Executive Leadership Team (ELT).

The six members of ELT collectively represent and govern the business divisions of Milestone. The ELT forms the strategies and drives the business operations, supported by a group of leaders in the Senior Leadership Team.

Communicating our strategy

To convey our strategy and objectives to Milestone colleagues, the ELT has a keen focus on communication and visibility through regular presentations of our culture, goals and activities.

In 2022, we adjusted our strategy to create the Milestone Strategy 2022-26. This adjusted strategy defines our approach to customers, how we cooperate with partners, and our focus on culture and technological innovation. It serves as an important foundation for our leaders to explain our company ambition to their teams.

Rules of procedure
– Annual wheel

Strengthening our organization

Corporate responsibility is at the core of Milestone's business strategy.

That's why we have strengthened our organization in areas related to ESG progress and goals.

In 2021, a Corporate Affairs department was established. In 2022, we strengthened our department for Legal, Compliance and Risk Management with a dedicated ESG person focused on implementing ESG frameworks and processes across Milestone and our value chain.

This function maintains a focus on establishing human rights due diligence and strengthening compliance programs, based on the materiality of these ESG issues to Milestone.

We are dedicated to operating responsibly in all we do inside and outside the company. Our upscaled ESG organization serves as a signal of this commitment.

Q1

- Annual report and annual general meeting
- Board self-assessment

Q2

- Strategy outlook
- Review and status of Milestone's policies and risk management
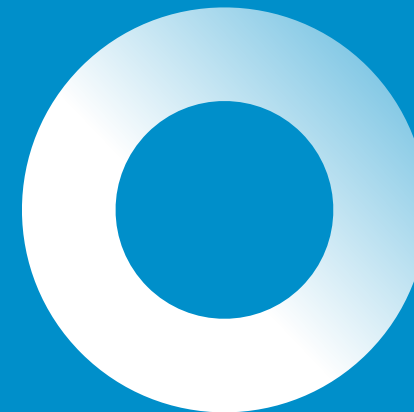
Q4

- Approval of budget for the coming year

Q3

- Budget status and business plan

Ethical standards are a prerequisite for ethical behavior

Milestone is taking a proactive stance on responsible technology.
We consider it a license to operate.

As a global Danish company, we must live up to Danish and European regulations and directives. With offices in 25 countries all over the world, we also encounter local regulations, customs and cultures that need to be considered when we do business.

At Milestone, we strive to move beyond legal compliance. Through determining principles and policies for sustainable corporate behavior (including human rights and anti-corruption), we hope to promote values and standards internally and externally that will ensure our position as a legitimate partner for both private and public customers.

Anti-corruption

In 2022, we completed two surveys focused on anti-corruption: one quick pulse survey directed at more than 200 employees in our business support functions and a more extensive survey received by all employees worldwide.

The more extensive survey was designed to collect new data on compliance and

ESG risks and attitudes across our global business. It investigated employee perceptions of corruption and bribery risks, gifts and hospitality, responsible technology and reporting concerns, and whistleblower reports. Going forward, we will continue to build our anti-corruption efforts around data-driven responses from global colleagues to ensure that our programs are risk-based and relevant across our growing business.

As a technology company, we aim to be data-driven in our compliance efforts and are now working to incorporate our survey findings into business processes and controls.

Whistleblower scheme

Milestone has established a whistleblower scheme. The scheme makes it easier for internal and external stakeholders to report incidents of actual or suspected misconduct which might constitute a breach of the law or internal procedures. The whistleblower scheme can be used anonymously.

Data ethics

In 2021, Milestone launched a data ethics policy. When we process data or develop, purchase, sell or implement new technologies, artificial intelligence or algorithms, the principles for data ethics are assessed. Data ethics are a part of the design process and are considered prior to the purchase or implementation of technology.

The purpose of the data ethics policy is to formally state Milestone's data ethics principles and describe ways in which we process data. In this way, we make it clear to our customers, employees, partners, and other stakeholders that we are dedicated to protecting their data and will use data in a responsible and ethical way.

Tax

It is deeply rooted in our culture and business model to act as a responsible partner to society. This includes contributing to better social welfare in the societies where we do business. A prerequisite for social welfare in any society is sufficient financial means to

fund it. This is typically generated through direct and indirect taxes.

At Milestone, we have a transparent tax disclosure practice, which clearly states that we disassociate ourselves from the use of tax havens and other methods of tax evasion. As a company, we pay corporate income taxes and other indirect taxes in all the countries in which we operate.

We take pride in paying our taxes and based on our continued growth aspirations, we expect to be able to continue to contribute to the welfare of the societies we do business in.

Other topics

We also pay close attention to several other aspects of developing, selling, and using our technology ethically.

Regarding our efforts to remove discrimination from the workplace, we can report that no incidents were reported through our whistleblower scheme in 2022.

Board of Directors

We have had no substantiated complaints concerning breaches of customer privacy and losses of customer data, and when it comes to public policy, our praxis is not to make financial contributions to political parties, politicians, or political campaigns.

Looking forward

In the years ahead, we will focus on our work on responsible technology and human rights, which have been identified as among the most material ESG areas to Milestone and our stakeholders. This includes internal processes of determining policies and principles, onboarding, developing toolkits and completing training and education. It includes external processes of defining criteria, conducting assessments and due diligence, and creating a dialogue with stakeholders about the impact of our technology and operations.

We will continue to define the framework, topics, and indicators so we can improve our reporting over the coming years. We will create a plan for how we collect and assess data from our offices as well as from suppliers, partners, and customers. Our aim is to present a consistent and comparable framework that is transparent.

Lau Normann Jørgensen
Chairman of the Board

Jeppe Frandsen
Shareholder-elected Board Member

John Blem
Shareholder-elected Board Member & Co-founder

Gustaf Löfberg
Shareholder-elected Board Member

Steen Strandskov Andersen
Employee-elected Board Member, Director of Engineering

Vibeke Uhrenholdt
Employee-elected Board Member, Payroll & Admin Manager

Human rights and responsible technology as part of our identity

In 2022, we completed a thorough analysis focusing on the human rights impacts of our technology.

The insights laid the foundation for a Responsible Technology Program and a policy commitment to the UN Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises.

Our strategic intent is clear. We want to become a global leader in how data-driven video technology is developed, sold, and used responsibly. Though our technology improves the well-being of citizens and societies, we must actively address any unintended uses and side effects. We want to actively manage, mitigate and reduce any risk and harm of our technology within our sphere of influence.

With the Responsible Technology Program, we will take further actions to deliver on our responsible technology commitment. This is not a new mindset for Milestone. But the depth and scope of the new program is intended to set standards for the industry in the years to come.

As part of our commitment, we will continue to work to implement human rights due diligence across our business operations and partnerships.

Human rights due diligence is linked to our compliance and risk management. Based on a thorough human rights impact assessment, the right to privacy and to non-discrimination have been identified as the most salient to our business.

"

We want to become a global leader in how data-driven video technology is developed, sold, and used responsibly.

Though our technology improves the well-being of citizens and societies, we must actively address any unintended uses and side effects.

Risk management is an integrated part of our governance and compliance

Executing our business strategy and achieving sustainable growth requires a shared understanding of governance and risk management, and the ELT has a strong focus on ensuring that risk management is an integral part of decision-making processes in Milestone.

Our governance and risk management systems support a sensible balance between growth and risk in the Milestone business model. We operate in three pillars: 1) financial risk, 2) compliance risk and 3) business risk. For each of these risk areas we identify, monitor, measure and manage the company's risks.

Our approach to risk management is formulated in our Enterprise Risk Management Policy. We have implemented an ongoing, cyclical process to report on activities within the areas of our business, to identify risks.

We mitigate risk by determining and applying appropriate risk responses and actions. Identified risks are assessed for their relative importance in terms of impact drivers and the likelihood that an impact occurs.

With these processes, we identify and manage potential events that may affect Milestone's ability to meet strategic objectives. The risk response activities are monitored and reported to leadership for an ongoing evaluation and update of processes.

These risk response activities are also integrated into the annual Board schedule. The Board of Directors reviews the company's risk exposure, the system for risk monitoring and reporting, and the company's insurance coverage.

Financial risks

Milestone is exposed to financial risks, and these risks cannot be eliminated entirely. However, we actively manage potential risks in a transparent and disclosed way.

Our overall objectives and policies for financial risk management are outlined in an internal Treasury Policy which is approved by the Board of Directors.

Currency risk is the main risk factor. Milestone has currency exposure resulting from reporting in Danish kroner (DKK) while generating most revenue in euros (EUR) and U.S. dollars (USD). Transactions dominated in foreign currencies other than EUR and USD are not material.

When it comes to EUR, currency risk is limited due to the European Exchange Rate Mechanism II (ERMII) treaty between Denmark and the European Union (EU).

The risk of fluctuations in the DKK/EUR rate is assumed to be insignificant. The currency risk related to generating revenue in USD is partly offset by maintaining a significant cost share in USD and partly by cash flow hedging.

Our USD cash flow hedging is based on a 24-month rolling forecast. The closer a forecast period is, the larger the portion of the forecast amount is hedged.

Identifying business risks

It is a high priority in our risk management to build resilient and agile business processes. During 2022, we have updated our business continuity plans to ensure that critical services are available to support partners and customers, while we maintain operational resilience. Response protocols are in place. They are focused on supporting activities to activate licenses, bill customer invoices, and pay suppliers.

We have reviewed our description of steps and escalations to resolve disruption scenarios with the potential to affect critical systems and operations. These address possible disruptions we detected during our assessment of risks. Protocols have been finalized and disseminated to control owners and impacted managers.

Third-party risks

We prevent third-party risks by assessing the capabilities of potential partners to meet obligations regarding contracts, cybersecurity, and compliance. We have implemented a new prequalification and due diligence process to accept critical partnerships in terms of data transfers and operational risks within a key project and our looking to build on this initiative.

These processes cover controls and documentation to address comprehensive requirements related to information security, intellectual property, licenses, and compliance.

Clear procedures

We have formalized step-by-step tasks and controls in standard operating procedures to support financial reporting. Business and accounting processes have been updated to embed smart risk-based controls. We have reviewed the ownership and design efficiency of the current tasks, controls, and independent approvals. And we have updated the control matrix to cross-reference process steps for performing monitoring activities in coordination with our assurance providers. A clear description of process steps in procedures guides the decisions made by the operational and finance teams.

ESG risks

Our product, industry and global value chain and activities exposes us to risks and uncertainties related to meeting our corporate social responsibility.

We have assessed our most material ESG risks relating to energy and water usage in our wider value and supply chains, especially presented through data storage and hardware sales (E), potentially adverse human rights impacts related to the misuse of our products (S), and the global governance of our trade compliance and data privacy programs (G).

We have not detected any direct risks related to internal social relations and the well-being of our employees. However, we have implemented a number of initiatives and programs to secure high employer satisfaction and empowered colleagues. Also see page 56.

In our attempt to understand, document and mitigate these and several other ESG risks characteristic of our industry, we rely on data, the establishment of structured ESG compliance programs, and a holistic value-chain driven approach to problem-solving. We are now working to build and implement the relevant frameworks, processes, monitoring and reporting systems across these issues – work that will continue into the coming reporting cycles.

As we are growing fast and expanding internationally, we seek to minimize the risk of adverse impacts on human rights and the environment caused by our business operations or relationships. We seek to recognize the interconnections between environmental, social and governance risks in our compliance and risk mitigation efforts, and to provide remedies for any potential adverse impacts.

Financial
Statement

Accounting policies

The Group's accounting policies applied in the preparation of the consolidated financial statements and the financial statements of the Parent Company are set out below.

Basis of preparation

The Annual Report for Milestone Systems A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act. The Annual Report is presented in accordance with the reporting provisions for large Class C enterprises.

The accounting policies are unchanged compared to the previous year.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Consolidated financial statement

The consolidated financial statement includes the financial statement of Milestone Systems A/S (the Parent Company) and all the companies in which Milestone Systems A/S, at the balance sheet date, directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence (subsidiaries). Milestone Systems A/S and these companies are referred to as the Group.

The consolidated financial statement is based on the financial statement of the Parent Company and the subsidiaries and is prepared by combining items of a uniform nature and eliminating intercompany transactions, shareholdings, balances and unrealized intercompany profit and losses. The consolidated financial statement is based on financial statements prepared by applying the Group accounting policies.

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized cost are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Group, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow

out of the Group, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Foreign currencies

Transactions in foreign currencies are translated during the year at the exchange rates prevailing on transaction date.

Receivables, payables and other items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates prevailing on the balance sheet date.

Realized and unrealized exchange rate adjustments are recognized in financial income and expenses in the income statement.

Tax on profit for the year, corporation tax and deferred tax

Tax for the year consists of current tax and deferred tax. The tax charge on profit for the year is recognized in the income statement, whereas the tax attributable to equity entries is recognized directly in equity.

Current tax is calculated at the tax rate applicable for the year.

The Parent Company is not jointly taxed with its foreign subsidiaries.

Current tax receivables are recognized in the balance sheet if taxes on account have been overpaid whereas current tax liabilities are recognized as short-term liability insofar as they have not been paid.

Deferred tax is recognized in the balance sheet as the tax on all temporary differences and tax loss carried forward. Deferred tax is calculated on the basis of legislation applicable for the financial year at the rate that will apply at the time when it is expected to be realized.

Deferred tax assets are measured at the value at which the asset is expected to be realized.

Derivative financial instruments and hedging activities

Derivatives are recognized at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates derivatives as hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the equity. The gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

INCOME STATEMENT

Net revenue

Revenues are recognized in the income statement in accordance with IFRS 15.

Revenue is mainly derived from sales of licenses, service, support and maintenance agreements, sale of hardware products & other revenue such as training.

The sales agreements are divided into individually identifiable performance obligations that are recognized and measured separately at fair value. Where a sale agreement includes multiple performance obligations, the total sales value of the sale agreement is allocated proportionally to the individual performance obligations of the agreement.

Revenues are recognized in the income statement when the individual identifiable performance obligations have been met and the goods or services are transferred to the customer and the customer obtains control.

Recognized revenue is measured at the fair value of the agreed remuneration, exclusive VAT and charges levied on behalf of third parties. All types of discounts granted are recognized in revenue.

Sales of goods

Sales of goods is comprised of licenses and hardware products and is recognized as revenue when control of the individual identifiable performance obligation in

the sales agreement is transferred to the customer, which is according to the sales conditions at the time of delivery.

Revenue is recognized when the client has obtained control of the license and has the ability to use and obtain substantially all the benefits from the license.

Sales of services

Sales of services is comprised of service, support and maintenance agreements and other services such as training etc.

The services typically include a performance obligation that is recognized on a straight-line basis in revenue over the period in which the services are provided.

Cost of sales

Cost of sales comprise costs incurred in generating the revenue for the year. Such costs include costs for royalty costs to third parties, subcontractors for delivering services, salaries, bonuses, other employee related costs, depreciation and other costs.

Research and development costs

Research and development costs and comprised of salaries, other employee related costs, depreciation and amortization, and other costs directly or indirectly attributable to research and development activities. Research and development costs are expensed in the year in which they are incurred when they do not qualify for capitalization.

Distribution and sales costs

Distribution and sales costs primarily are comprised of salaries, commissions, bonuses, and other sales employee related costs, travel and meeting expenses, marketing expenses, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to sales and marketing activities.

Administrative costs

Administrative costs are comprised of salaries, bonuses and other employee costs and expenses, office costs, depreciation and amortization, and indirect costs such as rent and technological infrastructure directly or indirectly attributable to administrative activities.

Results from investments in subsidiaries

Milestone's share of results from subsidiaries are stated in the income statement.

Financial income and expenses

Financial income and expenses include interest, realized and unrealized currency adjustments.

BALANCE SHEET

Development projects

Costs for development projects include salaries, depreciation and other expenses that are directly or indirectly attributable to the Group's development activities.

Clearly defined and identifiable development projects are stated as intangible fixed assets provided that there is sufficient certainty that the capital value of future earnings will cover sales, marketing and administrative costs as well as actual development costs.

Development costs that do not satisfy the criteria for inclusion in the balance sheet are stated as costs in the Income Statement as they are incurred income statement.

Capitalized development projects are valued at cost less accumulated amortization.

Capitalized development projects are amortized linearly from the date of completion over the period in which they are expected to produce financial benefits, but not exceeding five years.

Intangible and tangible fixed assets

Other plant, operating equipment, fixtures and fittings as well as software purchases are measured at cost less accumulated amortization and depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to acquisition and commissioning costs.

Amortization and depreciation of a fixed asset commences when it is ready for use.

Amortization and depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

• Software: 3-5 years

• Other plant, fixtures and equipment: 3-5 years

The residual value is determined at the time of acquisition and is reassessed every year.

Where the residual value exceeds the carrying amount of the asset, no further amortization and depreciation charges are recognized. In case of changes in the residual value, the effect on the depreciation charges is recognized prospectively as a change in accounting estimates.

Lease contracts

Lease contracts are recognized and measured as tangible fixed assets according to IFRS 16.

Leases are recognized in the balance sheet at the lower fair value of the asset and the present value of the lease payments.

The lease obligation is recognized in the balance sheet as a liability, and the interest portion of the lease payment is expensed on an ongoing basis in the income statement.

Financial fixed assets

Investments in subsidiaries are recognized and measured after the net asset value convention.

The balance sheet includes the proportionate ownership share of the net asset value of the subsidiary. The total net revaluation is transferred upon distribution of profit to "reserve for net revaluation under the equity method".

The reserve is reduced by the dividend distributed to the Parent Company and adjusted for other equity movement in the subsidiaries.

Investments with a negative net assets value are recognized at DKK 0.

Any legal or constructive obligation of the Parent Company to recover the negative balance is recognized as provisions.

Other investments are measured at cost less write downs.

Impairment of fixed assets

The carrying amounts of fixed assets are reviewed annually to determine whether there is any indication of impairment other than that expressed by amortization and depreciation. If so, the asset is written down to its lower recoverable amount.

The recoverable value of the asset is calculated as the higher of net sales price and value in use. Where it is impossible to set a recoverable amount for an individual asset, assets should be valued as a whole for the smallest group of assets for which a reliable recoverable amount can be determined.

Contract assets

Contract assets relate to the Group's rights to consideration for software licensed to customers under subscription agreements with future payments, when that right is conditional on Milestone Systems' future performance.

If the timing of payments specified in the contract provides the client with a significant financing benefit, the transaction price is adjusted to reflect this financing component.

Contract assets from contracts with customers are measured at amortized cost less provision for impairment.

Receivables

Trade receivables are amounts due from customers for merchandise sold, or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Prepayments

Prepayments include costs paid relating to subsequent financial years and are measured at cost.

EQUITY

Reserve for net revaluation according to the equity method

The reserve comprises net revaluations of investments in subsidiaries compared to the cost price.

Reserve for development projects

The reserve for development includes recognized development cost. The reserve cannot be used for paying dividends or cover for incurred losses. The reserve is reduced or dissolved by depreciation, or if, the recognized development cost ceases to be part of the Parent Company's operations. This is done by transferring directly to distributable reserves in the equity.

Foreign exchange reserve

The foreign exchange reserve in the consolidated financial statements comprise foreign exchange difference arising on translation of financial statements of foreign entities from their functional currency into the presentation currency used by the Group (DKK).

At realization in full or in part of the net investment, the foreign exchange adjustments are recognized in the income statement.

Hedging reserve

Reserve for hedging relates to cash flow hedges. The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognized in other comprehensive income. Amounts are reclassified to profit and loss when the associated hedged transaction affects profit or loss.

Proposed dividends

Dividend proposed for the year is recognized as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "equity".

Liabilities

Other liabilities are recognized at cost at the date of contracting the liability. It is then subsequently stated at amortized cost, which usually corresponds to the nominal value for short-term and non-interest-bearing liabilities.

Deferred income

Deferred income is recorded as liabilities consisting of payments received relating to revenue in subsequent periods.

CASH FLOW STATEMENT

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company cash flows are included in the Consolidated Cash Flow Statement.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortization and impairment losses and provisions. Working capital comprises current assets less short-term liabilities excluding items

included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term liabilities as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise "cash at bank and in hand".

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines.

The financial ratios stated under "5-year summary" have been calculated as follows:

FINANCIAL RATIOS
Financial ratios are calculated in accordance with the Danish Finance Society's guidelines. The financial ratios stated under "Financial highlights" have been calculated as follows:

Invoiced Revenue $=$ Invoiced revenue for the financial year

$$\text{Gross margin} = \frac{\text{Gross margin x 100}}{\text{Net revenue}}$$

$$\text{EBIT margin} = \frac{\text{Operating income before interest and tax x 100}}{\text{Net revenue}}$$

$$\text{Financial solidity} = \frac{\text{Total assets}}{\text{Shareholder equity}}$$

$$\text{Return on equity} = \frac{\text{Net income for the year x 100}}{\text{Average shareholder equity}}$$

INCOME STATEMENT

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2022	2021	2022	2021
Net revenue	1	**1,488,148**	**1,140,912**	**1,481,816**	**1,138,649**
Cost of sales		-165,350	-53,742	-164,007	-53,239
Gross margin		**1,322,798**	**1,087,170**	**1,317,809**	**1,085,410**
Research and development costs	3, 4	-355,472	-297,483	-357,560	-304,957
Distribution and sales costs	3, 4	-871,347	-595,699	-920,084	-626,708
Administrative costs	2, 3, 4	-117,322	-101,473	-95,961	-81,076
Operating income (EBIT)		**-21,343**	**92,515**	**-55,796**	**72,669**
Result from investments in subsidiaries		0	0	17,926	12,031
Interest and other financial income	5	37,584	32,857	43,765	33,842
Interest and other financial expenses	6	-5,198	-3,705	-2,782	-2,453
Profit before corporate tax		**11,043**	**121,667**	**3,113**	**116,089**
Corporate tax	7	-1,810	-24,213	6,120	-18,635
Net income		**9,233**	**97,454**	**9,233**	**97,454**
NET INCOME ATTRIBUTABLE TO:					
Owners of Milestone Systems A/S		9,233	97,454	9,233	97,454
Net income		**9,233**	**97,454**	**9,233**	**97,454**

BALANCE SHEET

	Note	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
		2022	2021	2022	2021
Completed development projects		215,524	193,529	214,174	194,360
Development projects in progress		25,653	20,426	33,943	25,233
Other intangible assets		37,595	41,224	37,019	40,214
Intangible fixed assets	8	**278,772**	**255,179**	**285,136**	**259,807**
Land and buldings		120,364	102,728	53,284	47,523
Other fixtures and fittings, tools and equipment		74,905	57,916	47,979	37,285
Tangible fixed assets	9	**195,269**	**160,644**	**101,263**	**84,808**
Investments in subsidiaries	10	0	0	75,003	56,765
Other investments	11	54,847	21,469	54,847	21,469
Contract assets		1,548	0	1,548	0
Deposits		10,082	9,004	5,190	4,426
Financial fixed assets		**66,477**	**30,473**	**136,588**	**82,660**
Fixed assets		**540,518**	**446,296**	**522,987**	**427,275**
Trade receivables		432,824	310,385	432,308	310,083
Receivables from Group enterprises		613,610	665,850	627,553	674,859
Other receivables		19,131	20,726	12,312	18,083
Prepaid company tax		24,200	11,075	15,438	5,181
Deferred tax	12	7,149	6,931	0	0
Prepayments	13	26,349	19,449	18,776	12,943
Receivables		**1,123,263**	**1,034,416**	**1,106,387**	**1,021,149**
Cash at bank and in hand		**193,889**	**155,271**	**135,182**	**96,182**
Current assets		**1,317,152**	**1,189,687**	**1,241,569**	**1,117,331**
Assets		**1,857,670**	**1,635,983**	**1,764,556**	**1,544,606**

BALANCE SHEET

	Note	CONSOLIDATED DKK'000 2022	2021	PARENT COMPANY DKK'000 2022	2021
Equity					
Share capital		693	693	693	693
Reserve for net revaluation under the equity method		0	0	56,432	39,544
Reserve for development projects		0	0	193,531	171,282
Foreign exchange reserve		-1,079	-2,211	0	0
Hedging reserve		-14,011	-14,512	-14,011	-14,512
Retained earnings		813,646	804,413	562,604	591,376
Capital and reserves attributable to owners of Milestone Systems A/S		799,249	788,383	799,249	788,383
Total equity		**799,249**	**788,383**	**799,249**	**788,383**
Investments in subsidiaries with negative equity		0	0	0	399
Deferred tax	12	13,396	37,774	13,244	37,338
Provisions		**13,396**	**37,774**	**13,244**	**37,737**
Deferred income	14	267,605	209,751	267,605	209,751
Lease liability	15	103,121	81,818	46,030	39,567
Non-current liabilities		**370,726**	**291,569**	**313,635**	**249,318**
Lease liability	15	26,379	26,544	11,668	9,396
Trade payables		66,856	30,074	61,077	25,573
Payables to Group enterprises		0	0	45,711	20,729
Corporation tax		16,573	17,604	7,980	10,322
Other payables		169,495	135,923	116,996	95,036
Deferred income	14	394,996	308,112	394,996	308,112
Current liabilities		**674,299**	**518,257**	**638,428**	**469,168**
Total liabilities		**1,045,025**	**809,826**	**952,063**	**718,486**
Liabilities and equity		**1,857,670**	**1,635,983**	**1,764,556**	**1,544,606**
Mortgages, securities and contingent liabilities	16				
Related parties	17				
Cash flow statement notes	18				
Proposed distribution of profit	19				
Subsequent events	20				

STATEMENT OF CHANGES IN EQUITY

<div align="center">CONSOLIDATED
DKK'000</div>

	Notes	Share capital	Foreign exchange reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
Equity at January 1, 2021		**693**	**-4,296**	**14,048**	**706,959**	**32,219**	**749,623**
Exchange rate adjustment, beginning of the year		0	1,568	0	0	0	1,568
Exchange rate adjustment, during the year		0	517	0	0	0	517
Fair value adjustment of hedging instruments, end of the year		0	0	-36,615	0	0	-36,615
Adjustment to deferred tax on hedging instruments, end of the year		0	0	8,055	0	0	8,055
Dividend paid		0	0	0	0	-32,219	-32,219
Net income for the year		0	0	0	97,454	0	97,454
Equity at December 31, 2021		**693**	**-2,211**	**-14,512**	**804,413**	**0**	**788,383**
Exchange rate adjustment, beginning of the year	10	0	1,812	0	0	0	1,812
Exchange rate adjustment, during the year	10	0	-680	0	0	0	-680
Fair value adjustment of hedging instruments, end of the year		0	0	642	0	0	642
Adjustment to deferred tax on hedging instruments, end of the year		0	0	-141	0	0	-141
Dividend paid		0	0	0	0	0	0
Net income for the year		0	0	0	9,233	0	9,233
Equity at December 31, 2022		**693**	**-1,079**	**-14,011**	**813,646**	**0**	**799,249**

STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital	Reserve for net revaluation according to the equity method	Reserve for devel- opment projects	Foreign exchange reserve	Hedging reserve	Retained earnings	Dividend proposed for the year	Total
Equity at January 1, 2021		**693**	**27,505**	**156,638**	**-4,296**	**14,048**	**522,816**	**32,219**	**749,623**
Exchange rate adjustment, beginning of the year		0	1,568	0	0	0	0	0	1,568
Exchange rate adjustment, during the year		0	517	0	4,296	0	-4,296	0	517
Fair value adjustment of hedging instruments, end of the year		0	0	0	0	-36,615	0	0	-36,615
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	0	8,055	0	0	8,055
Dividend paid		0	0	0	0	0	0	-32,219	-32,219
Net income for the year		0	9,954	14,644	0	0	72,856	0	97,454
Equity at December 31, 2021		**693**	**39,544**	**171,282**	**0**	**-14,512**	**591,376**	**0**	**788,383**
Exchange rate adjustment, beginning of the year	10	0	1,812	0	0	0	0	0	1,812
Exchange rate adjustment, during the year	10	0	-680	0	0	0	0	0	-680
Fair value adjustment of hedging instruments, end of the year		0	0	0	0	642	0	0	642
Adjustment to deferred tax on hedging instruments, end of the year		0	0	0	0	-141	0	0	-141
Dividend paid		0	0	0	0	0	0	0	0
Net income for the year		0	15,756	22,249	0	0	-28,772	0	9,233
Equity at December 31, 2022		**693**	**56,432**	**193,531**	**0**	**-14,011**	**562,604**	**0**	**799,249**

The share capital consists of 692,644 shares of a nominal value of DKK 1. No shares have special rights.

CASH FLOW STATEMENT

	Note	CONSOLIDATED DKK'000 2022	2021
Net income for the year		9,233	97,454
Adjustments	18	124,104	133,108
Change in working capital	18	137,603	-204,000
Cash flows from operating activities before paid financial items and tax		**270,940**	**26,562**
Financial income received		37,584	32,857
Financial expenses paid		-5,198	-3,705
Cash flows from operating activities before paid tax		**303,326**	**55,714**
Corporate tax paid/received		-40,703	-27,840
Cash flows from operating activities		**262,623**	**27,874**
Investment in intangible fixed assets		-118,380	-100,309
Investment in tangible fixed assets excluding lease assets		-41,475	-22,902
Investments in fixed financial assets		-33,378	0
Cash flows from investing activities		**-193,233**	**-123,211**
Repayments on lease liability		-31,904	-31,955
Distributed dividend		0	-32,219
Cash flows from financing activities		**-31,904**	**-64,174**
Change in cash and cash equivalents		**37,486**	**-159,511**
Cash and cash equivalents at January 1		155,271	312,697
Currency adjustments		1,132	2,085
Cash and cash equivalents at December 31		**193,889**	**155,271**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		193,889	155,271
Cash and cash equivalents at December 31		**193,889**	**155,271**

NOTES

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2022	2021	2022	2021
Geographical segments				
Net revenue Denmark	48,454	39,901	48,454	39,901
Net revenue export from Denmark	1,433,362	1,098,748	1,433,362	1,098,748
Net revenue generated outside Denmark	6,332	2,263	0	0
	1,488,148	**1,140,912**	**1,481,816**	**1,138,649**
Product segments				
Security related products	1,488,148	1,140,912	1,481,816	1,138,649
	1,488,148	**1,140,912**	**1,481,816**	**1,138,649**
Note 2 Fees to independent auditors				
Statutory audit fee	791	704	363	380
Tax advisory services	1,725	1,743	962	1,029
Other services	326	306	249	272
	2,842	**2,753**	**1,574**	**1,681**
Note 3 Staff expenses				
Wages and salaries	809,549	628,082	451,860	389,451
Pensions	38,004	30,401	21,280	18,388
Social contributions	41,061	29,411	4,402	4,139
Other staff expenses	99,354	61,538	38,657	26,333
Capitalized development costs	-84,172	-74,339	-38,890	-41,045
	903,796	**675,093**	**477,309**	**397,266**
Average number of employees	**1,148**	**956**	**528**	**480**
Staff expenses are recognized as follows:				
Research and development costs	203,755	168,539	216,702	181,490
Distribution and sales costs	609,063	427,688	188,337	150,210
Administrative costs	90,978	78,866	72,270	65,566
	903,796	**675,093**	**477,309**	**397,266**
Remuneration to the Executive Management:				
Executive Management Team	10,179	11,924	10,179	11,924
Board of Directors	600	500	600	500
	10,779	**12,424**	**10,779**	**12,424**

Note 1 Segment information
The revenue is segmented following invoicing, and on the basis of where the main part of the processes and activities that generated the revenue took place.

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2022	2021	2022	2021
Note 4 Amortization and depreciation of intangible and tangible fixed assets				
Completed development projects	72,814	65,776	74,995	67,568
Other intangible assets	21,974	18,577	21,445	17,973
Land and buildings	29,121	26,666	11,369	10,798
Other fixtures and fittings, tools and equipment	31,014	27,187	17,946	17,329
Gains and losses in fixed assets	-243	-60	-188	98
	154,680	**138,146**	**125,567**	**113,766**
Amortization and depreciation of intangible and tangible fixed assets are recognised as follows:				
Research and development costs	92,534	86,577	89,282	82,881
Distribution and sales costs	58,878	49,280	33,016	28,596
Administrative costs	3,268	2,289	3,269	2,289
	154,680	**138,146**	**125,567**	**113,766**
Note 5 Interest and other financial income				
Interest from Group companies	5,397	2,257	11,242	2,723
Currency adjustments	31,546	30,595	31,926	31,114
Other financial interest and income	641	5	597	5
	37,584	**32,857**	**43,765**	**33,842**
Note 6 Interest and other financial expenses				
Interest to Group companies	0	0	64	223
Currency adjustments	1,012	528	0	49
Other financial interest and expenses	4,186	3,177	2,718	2,181
	5,198	**3,705**	**2,782**	**2,453**

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2022	2021	2022	2021
Note 7 Tax				
Current tax for the year	14,330	17,141	6,303	10,393
Adjustment of current tax for prior years	11,999	18,324	11,813	17,486
Change in deferred tax	-14,081	-1,457	-13,595	615
Adjustment in deferred tax for prior years	-10,297	-17,850	-10,500	-17,914
	1,951	**16,158**	**-5,979**	**10,580**
Attributable to:				
Tax on profit for the year	1,810	24,213	-6,120	18,635
Tax on changes in equity	141	-8,055	141	-8,055
	1,951	**16,158**	**-5,979**	**10,580**

Note 8 Intangible fixed assets Consolidated DKK'000	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2022	804,396	20,426	824,822	108,277
Additions in the year	6,327	93,708	100,035	18,345
Disposals in the year	0	0	0	-3,463
Transferred to completed	88,481	-88,481	0	0
Cost at December 31, 2022	**899,204**	**25,653**	**924,857**	**123,159**
Depreciation and impairment at January 1, 2022	-610,867	0	-610,867	-67,053
Depreciation in the year	-72,813	0	-72,813	-21,974
Depreciations on disposals in the year	0	0	0	3,463
Depreciation and impairment at December 31, 2022	-683,680	0	-683,680	-85,564
Carrying amount at December 31, 2022	**215,524**	**25,653**	**241,177**	**37,595**

Development projects relate to the development of the existing Milestone open platform software and new functionality added to that platform. The new functionality will be released on an ongoing basis. The development is progressing according to plan using resources allocated by management to the development projects. The new functionality is primarily aimed at the wide range of customers using Milestone software today. The functionality developed is based on input from various stakeholders within the VMS market, internally as well as externally.

Parent Company DKK'000	Completed development projects	Development projects in progress	Total development projects	Other intangible assets
Cost at January 1, 2022	812,447	25,233	837,680	106,115
Additions in the year	6,328	97,191	103,519	18,250
Disposals in the year	0	0	0	-3,463
Transferred to completed	88,481	-88,481	0	0
Cost at December 31, 2022	907,256	33,943	941,199	120,902
Depreciation and impairment at January 1, 2022	-618,087	0	-618,087	-65,901
Depreciation in the year	-74,995	0	-74,995	-21,445
Depreciations on disposals in the year	0	0	0	3,463
Depreciation and impairment at December 31, 2022	-693,082	0	-693,082	-83,883
Carrying amount at December 31, 2022	**214,174**	**33,943**	**248,117**	**37,019**

Note 9 Tangible fixed assets Consolidated DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2022	167,777	168,032	335,809
Currency adjustment	3,469	2,110	5,579
Correction previous year	0	1,119	1,119
Additions in the year	49,058	50,345	99,403
Disposals in the year	-6,381	-18,886	-25,267
Cost at December 31, 2022	213,923	202,720	416,643
Depreciation and impairment at January 1, 2022	-65,049	-110,116	-175,165
Currency adjustment	-803	-1,166	-1,969
Correction previous year	0	-1,119	-1,119
Depreciation in the year	-29,121	-31,014	-60,135
Depreciations on disposals in the year	1,414	15,600	17,014
Depreciation and impairment at December 31, 2022	-93,559	-127,815	-221,374
Carrying amount at December 31, 2022	**120,364**	**74,905**	**195,269**
Tangible assets include operating leases with a carrying amount totaling	**120,364**	**7,012**	**127,376**

Parent Company DKK'000	Land and buildings	Other fixtures and fittings, tools and equipment	Total
Cost at January 1, 2022	74,720	106,104	180,824
Additions in the year	17,874	30,408	48,282
Disposals in the year	-918	-14,526	-15,444
Cost at December 31, 2022	91,676	121,986	213,662
Depreciation and impairment at January 1, 2022	-27,197	-68,819	-96,016
Depreciation in the year	-11,369	-17,946	-29,315
Depreciations on disposals in the year	174	12,758	12,932
Depreciation and impairment at December 31, 2022	-38,392	-74,007	-112,399
Carrying amount at December 31, 2022	**53,284**	**47,979**	**101,263**
Tangible assets include operating leases with a carrying amount totaling	**53,284**	**4,643**	**57,927**

Note 10 **Financial fixed assets**
Parent Company
DKK'000

	Investments in subsidiaries
Cost at January 1, 2022	12,165
Additions in the year	1,058
Disposals in the year	0
Cost at December 31, 2022	13,223
Revaluations at January 1, 2022	39,544
Currency adjustment	1,132
Paid dividend	-2,170
Profit for the year	17,926
Revaluations at December 31, 2022	56,432
Carrying amount at December 31, 2022	**69,655**
Negative value of investments in subsidiaries recognized as a provision	0
Negative value of investments in subsidiaries set off against receivables from group enterprises	5,348
Investments in subsidaries	**75,003**

Name	Reg.office	Ownership	Share Capital
Milestone Italia S.R.L.	Milan, Italy	100%	EUR 20,000
Milestone Systems Inc.	Portland, USA	100%	USD 100
Milestone Systems UK, Ltd.	London, United Kingdom	100%	GBP 1,000
Milestone Systems France	Paris, France	100%	EUR 10,000
Milestone Systems Pte.	Singapore	100%	SGD 100,100
Milestone Systems SL	Barcelona, Spain	100%	EUR 151,000
Milestone Systems (Australia) PL	Sidney, Australia	100%	AUD 1
Milestone Systems Bulgaria	Sofia, Bulgaria	100%	BGN 25,000
Milestone Sistemas do Brasil	Sao Pãolo, Brasil	100%	BRL 308,618
Milestone India	Bangalore, India	100%	INR 2,500,000
Milestone Systems Sweden AB	Stockholm, Sweden	100%	SEK 50,000
Milestone Systems KK	Tokyo, Japan	100%	JPY 10,000,000
Milestone Systems Germany GmbH	Munich, Germany	100%	EUR 25,000
Milestone Systems Norway	Oslo, Norway	100%	NOK 30,000
Milestone Sistemas	Mexico City, Mexico	100%	MEX 3,000
Milestone Systems Arabia Co, for Marketing	Riyadh, Kingdom of Saudi Arabia	100%	SAR 500,000
Milestone Systems Canada Inc.	Toronto, Canada	100%	CAD 100

Note 11 Other Investments
DKK'000

Other investments are specified as follows:

Name	Reg. office	Share Capital	Ownership	Voting rights	Equity 2021	Net income for 2021
Arcus Holding A/S	Brøndby, Denmark	4,007	12%	6%	-92,092	-113,996

Numbers are based on the latest available annual report for Arcus Holding A/S

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2022	2021	2022	2021

Note 12 Deferred tax

Deferred tax at January 1	30,843	50,348	37,338	54,433
Change in profit and loss	-24,737	-11,450	-24,235	-9,040
Change in equity	141	-8,055	141	-8,055
Deferred tax at December 31	**6,247**	**30,843**	**13,244**	**37,338**

Deferred tax relates to:

Intangible assets	30,518	44,159	30,518	44,159
Tangible assets	-10,125	-3,018	-10,282	-3,545
Current assets	-3,039	818	-3,040	817
Other obligations	-10,632	-9,843	-3,952	-4,093
Net operating loss	-475	-1,273	0	0
	6,247	**30,843**	**13,244**	**37,338**

Deferred tax recognized in the balance sheet:

Deferred tax asset	-7,149	-6,931	0	0
Deferred tax liability	13,396	37,774	13,244	37,338
	6,247	**30,843**	**13,244**	**37,338**

Note 13 Prepayments

Prepayments consist of prepaid costs related to licenses, subscriptions, marketing events, warranties, rent and other costs.

Note 14 Deferred income

Under 1 year	394,996	308,112	394,996	308,112
1 year to 5 years	267,605	209,751	267,605	209,751
Above 5 years	0	0	0	0
	662,601	**517,863**	**662,601**	**517,863**

Deferred income consists of deferred revenue from services where the Group has received payment as a pre-paid amount.

Note 15 Lease liability

Under 1 year	26,379	26,544	11,668	9,396
1 year to 5 years	79,811	76,294	46,030	39,567
Above 5 years	23,310	5,524	0	0
	129,500	**108,362**	**57,698**	**48,963**

Note 16 Mortgages, securities and contingent liabilities
Consolidated and Parent Company

The Parent Company is jointly taxed with other Danish companies in the Canon Group. The Parent Company has several unlimited, and joint liabilities together with the other jointly taxed companies for Danish income tax and withholding taxes.

Note 17 Related parties

Controlling interest	Basis
Canon Inc., Japan	Controlling shareholder

Transactions
The Group has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated financial statements
The Group's ultimate Parent Company which prepares consolidated financial statements into which the Group is incorporated as a subsidiary is

Name	Place of registered office
Canon Inc.	Tokyo, Japan

The Group Annual report of Canon Group may be obtained at the following address:
Canon Inc.
30-2, Shimomaruko 3-chome, Ohta-ku
Tokyo 146-8501
Japan

	CONSOLIDATED DKK'000		PARENT COMPANY DKK'000	
	2022	2021	2022	2021

Note 18 Cash flow statement

Cash flow statement - adjustments

Depreciation of intangible and tangible assets	154,923	138,206		
Gain/loss on disposed assets	-243	-60		
Interest and other financial items	-32,386	-29,152		
Corporate tax	1,810	24,213		
Other	0	-99		
	124,104	**133,108**		

Cash flow statement - change in working capital

Change in receivables	-77,489	-270,077		
Change in suppliers, other payables, etc	215,092	66,077		
	137,603	**-204,000**		

Note 19 Proposed distribution of profit

Retained earnings	9,233	97,454	-28,772	72,856
Proposed dividend recognized under equity	0	0	0	0
Reserve for net revaluation under the equity method	0	0	15,756	9,954
Reserve for development projects	0	0	22,249	14,644
	9,233	**97,454**	**9,233**	**97,454**

Note 20 Subsequent events

No subsequent events have occurred after the end of the financial year which could affect the Group's financial situation.

Statement by management

The Executive Management and Board of Directors have today considered and adopted the Annual Report of Milestone Systems A/S for the financial year January 1, – December 31, 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at December 31, 2022, of the Parent Company and the Group and of the results of the Parent Company and Group operations and Group cash flows for 2022.

The management review contains, in our opinion, a fair statement of the facts to which it relates and describes the Group's significant risks and uncertainties.

We recommend the Annual Report to be adopted at the Annual General Meeting.

Copenhagen, March 23, 2023.

Executive Management

Thomas Jensen   Lars Larsen

Board of Directors

Lau Normann Jørgensen   Gustaf Pontus Löfberg   Steen Strandskov Andersen
Chairman   Employee-elected

John Sergio Blem   Jeppe Frandsen   Vibeke Krog Olsen
                                                          Employee-elected

Independent auditor's report

To the Shareholders of Milestone Systems A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Milestone Systems A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements

applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 23 March 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Allan Knudsen
State Authorised Public Accountant
Mne29465

Alexander Oliver Duschek
State Authorised Public Accountant
Mne47774

Milestone presence

milestone